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EAST GERMANY

DEPUTY MINISTER ON NEED FOR KEEPING WATER CLEAN, USABLE

East Berlin PRESSE-INFORMATIONEN in German 28 Apr 77 pp II-III

[Article by Rudolf Miehke, deputy minister for environmental protection and water management: "Cleanliness of Water--An economic requirement"]

[Text] According to calculations to date, by 1990 water requirements of the population will rise by two-thirds, of industry by more than one-third and of agriculture by even two and one-half. On the other hand the natural supplies will remain essentially constant--water in creeks, rivers, lakes and subterranean reservoirs from which we obtain drinking water for the people and industrial water for industry and agriculture. Measures for keeping the waters pure, therefore, have the greatest economic importance.

The growing requirements for water can only be met by steadily increasing multiple use of water. Multiple use includes thorough cleaning of the water before it can be returned to the natural cycle. The cleaner it is when drained off, the lower the damages to the bodies of water in the first place, and in the second place the lower the costs for renewed purification.

The costs for purification as unobjectionable enterprise water from polluted water rise markedly as a function of the degree of pollution. Purification of water in quality class IV (badly polluted), for example, costs eight times as much as for quality class I (clean). And industrial waste products still influence the quality of the water in about 40 percent of our waters.

On the other side, from an economic point of view, extensive purification of water is cheaper than obtaining usable water from strongly polluted bodies of water since to do this very complicated purification processes are necessary. And naturally waste products also influence the life of plants and fish in our waters and adversely affect recreation possibilities. Thus exhausting all possibilities for waste water purification is one of the principal duties of water users.

Increasing Efforts by Industrial Enterprises and Communities

Various initiatives by enterprises and communities in recent years have resulted in the fact that in spite of substantial increases in waste waters and waste products the quality of the water in moving waters remained almost constant and in some river courses the water became cleaner. The enterprises of the brown coal industries are among those making great efforts to keep the waters clean. In this case because of drainage measures about 3.4 million cubic meters of water are produced every day. More than a third of it is used in the refining plants and power plants, the rest, purified, is fed into the rivers. In some areas this water, especially in dry periods, substantially improves the water balance, for example the Spree in the Cottbus area.

Numerous enterprises have changed over to the so-called closed circulation of water in which the water necessary for production is cooled and purified in the enterprise's own installations so that it can be used again and again. The daily water requirements of about 250,000 cubic meters in the Schwarze Pumpe [black pump] combine VEB for example are exclusively met by waste water from mines which is purified in the combine's own system. By beginning to use a settling tank for the purpose of reusing wash water for gravel it is no longer necessary to take from the public water system the roughly 1,500 cubic meters of water every day for the Ottendorf-Okrilla gravel plant VEB.

It is especially important that no impurities of any kind such as iron and other metals, oils and fats, phenols or acids and lyes get into the water. The Schwedt petrochemical combine VEB is among the exemplary water users. Although quantities of impurities are produced in the combine, the complex filter plant guarantees impurity-free waste water. The quality of the water of the Oder remains unimpaired.

Water Control With Higher Responsibility

Many new filter plants have been built in the past few years. They purify 1,000-10,000 cubic meters of waste water per hour. In addition to the construction of new plants in Berlin, Rostock, Potsdam, Eisenhuettenstadt, Halberstadt, Halle-Neustadt, Nordhausen, Gera and Dresden, the capacity of existing plants is to be expanded by rationalization. The clarification plant in Leipzig-Wahren for example has twice the output since being rebuilt. At the same time the purification effect was improved with the installation of new technology. In the matter of water protection the cooperation of enterprises, cities and communities in the framework of territorial rationalization takes on great importance. Building common clarification plants for both municipal and industrial waste waters and using them jointly or expanding existing plants for joint use has been proven effective.

Special responsibility for keeping our waters clean falls to the state water control authority. Its controls are to help systematically reduce the

pollutants in the waste water and to prevent water averages. It very systematically controls enterprises which feed waste water into the waters, especially those in the case of which dangers for the waters can rise because of pollutants.

In this regard it is a matter of involving a wide circle of helpers. In many enterprises such as the Bitterfeld chemical combine VEB the questions of water use and the observance of critical values of water quality are a component of the competition program and thus a cause for concern by every worker. Indices for water requirements and waste waters are in this connection allocated as far as the brigades. Such examples should be generalized, for the protection of our waters is a matter that affects everyone. What great importance society attaches to keeping our waters clean was demonstrated by the fourth congress of the People's Chamber on 7 April of this year which established new legal provisions for this.

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EAST GERMANY

WATER MANAGEMENT MINISTER DISCUSSES EFFECTIVE WATER USE

East Berlin PRESSE-INFORMATIONEN in German 28 Apr 77 pp I-II

[Article by Dr Hans Reichelt, Council of Ministers deputy chairman and minister for environmental protection and water management: "Effective Utilization of Water--A Requirement of Economic Discretion: Economic Water Usage Is Part of Intensification"]

[Text] The directive of the Ninth SED Party Congress to the Five-Year Plan for the development of the GDR economy in the period 1976-1980 gives water management in our republic the task of "aiming its efforts at supplying the population, industry and agriculture steadily with drinking water and industrial water, respectively. This requires economic management of water resources with minimal social outlay and effective use of water management installations in all sectors of the economy." Thus, water management contributes in a very diversified manner to realizing the chief task in its unity of economic and social policy.

In 1980 the demand for water in our republic will be about one-fifth higher than in 1975. By 1990 figures indicate an increase of 60-65 percent, thus, 4-5 percent annually. In contrast to that, the natural water supply will remain virtually constant; beyond that it is subject to pronounced fluctuations due to time and location. Water supplies are, moreover, not always available where they are needed for the growing demand. Thus it is a matter of building drinking and waste water purification plants, laying new pipe systems, erecting barrages, laying-up basins, extensive conduits and opening up additional ground water reserves.

Use Water Several Times

The building of barrages and laying-up basins, conduits and long distance lines takes over agricultural areas under cultivation, thus removing them from production. Even residential buildings, factories, railways, streets, indeed entire villages must often be rebuilt at another location. This likewise requires significant outlays of financial means and material. From this it follows that investments for water management are rising faster than average for the economy. The enormous basic assets of water management

plants in all sectors have a value of about M 45 billion, that is roughly 12 percent of all basic assets in the production sectors of our economy.

To be sure water, vis-a-vis other raw materials, has an advantage--it can be used several times. That is indispensable not only in dry periods, but is more and more becoming an ongoing concern. Water from Saale and Elster is already being used seven times with average precipitation. This imposes high demands especially on waste water purification. Thus even in this area the outlays are rising substantially. But if the waste waters are sufficiently purified then up to 75 percent of the costs can be saved which are necessary for the repurification of the unpurified water in a following enterprise. In this connection the building of joint waste water treating plants is gaining in importance, in which case the advantages of territorial rationalization are utilized.

What Erich Honecker, secretary general of the SED Central Committee forcefully called for at the fifth meeting of the Central Committee likewise holds for economic use of water: achieve high quality and effectiveness in our work. Therefore, it must become a matter of course to regard effective utilization of water in all sectors of the economy as a component of socialist intensification. This requires a variety of scientific-technical measures. In that way we will achieve better use of the basic assets and greater effectiveness in social work. At the same time we will reduce costs and save investments, among other things, for additional storage facilities or conduits.

Buna workers, for example, with the use of new technologies and advanced norms, normative provisions and indices in socialist competition in 1975 vis-a-vis 1971 saved 2,500 cubic meters of water per million marks of goods production and thus saved M 3,340. Enterprise costs for water purification was reduced by M 4,625 per million marks of goods production. Applied to overall goods production of the Buna works the savings thus amounted to M 13.9 million in the period 1971-1975.

New Ways With Science and Technology

In the current five-year plan the task has been set to reduce the specific water requirements in industry by 20 percent. The significance of this plan becomes clear if one considers that over 16 million cubic meters of industrial water must be made available to industry every day. The water is used as follows: 70 percent for cooling, 20 percent for production (processing water) and 10 percent for boiler feeding. The demand for cooling and processing water, above all, must be reduced to an economically justifiable amount. The use of cooling-water circulation alone in place of traditional continuous operation reduces water requirements up to 95 percent. Systematic use of less water often achieves a great economic value. Changes in water pressure, the cross-section of the conduits, temperature or other factors cause the demand for water to decline.

But that also requires the purposeful implementation of scientific-technical measures. Thus, completely new ways must be pursued and methods without water or using little water must be developed. Large tasks and possibilities are the result for the industrial processing engineers and designers, for innovators and rationalizers in almost all sectors of industry, especially machinebuilding.

For us it is of incalculable value to utilize the rich experiences of the Soviet Union in the matter of efficient water management. This is true of the use of new methods or the improvement of existing methods for reducing the specific water consumption per unit of production as well as for better water purification in circulation. For example, in the Soviet Union purified municipal waste waters are being used as industrial water for industry. A Moscow heating power station uses 20,000 cubic meters of purified waste water daily which until now was fed into the Moscow River. In Dresden a year ago Soviet scientists reported about these and other experiences at the CEMA symposium dealing with technologies free of or low in waste products. In all, the USSR offers a great wealth of experiences which we as well as all CEMA countries are extensively utilizing.

The economic use of water and the exact observance of critical values for waste waters are an element of the competition programs of the collectives in industries using water. The competition for the title "exemplary enterprise in water management" in addition creates new possibilities for additional furthering of the workers initiatives.

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RAILROAD CONSTRUCTION CHIEF OUTLINES TASKS FOLLOWING PARTY PLENUM

East Berlin SIGNAL UND SCHIENE in German No 5, May 77 pp 147-148

[Article by Horst Thomas, GDR Railroad Construction Directorate president: "Basic Tasks of the GDR Railroad Construction Directorate Following the Fifth SED Central Committee Plenum"]

[Text] In the course of the Fifth SED Central Committee Plenum impressive evidence was brought to demonstrate how the GDR is advancing in the organization of the developed socialist society and the gradual creation of the bases of communism in all spheres of social life. Among the active collaborators in the realization of these inspiring and challenging targets are the railroad construction workers of the Railroad Construction Directorate (Rbbd). That is shown by the results of the past year which was also the first of the new five-year plan. Thanks to the indefatigable work of all railroad construction workers, their many initiatives and their handling of the many problems arising, we experienced stability in the progress made by the Railroad Construction Directorate. For the 10th consecutive time the sector of railroad construction has fulfilled or overfulfilled the plan. That is an excellent basis for meeting the requirements of the 1976-1980 Five-Year Plan and beyond.

The resolution adopted by the Fifth SED Central Committee Plenum "On the Further Implementation of the Resolutions Adopted by the Ninth SED Congress for the Construction Industry" has fundamental significance for the GDR Railroad and, therefore, also for the sphere of the Rbbd. The railroad construction sector must contribute the construction of high-capacity and good quality track facilities to ensure that the GDR Railroad may continue to meet the steadily rising requirements of the national economy--especially the construction industry. This includes such major investments as the construction measures for Berlin, the GDR capital, the construction of 850 km of secondary tracks, the building projects of the central superstructure renewal department, the electrification of the sections Dresden-Berlin and Muldenstein-Berlin, the mechanization of switching yards as well as follow-up investments for the economy and measures relating to energy supply.

It is the responsibility of the Rbbd to prepare, develop and use capacities for the material assurance of projects relating to the simple and expanded reproduction of rail facilities. In addition it renders considerable services to sectors outside the GDR Railroad. One of the crucial tasks involves the necessity for raising our internal building production to M850 million by 1980. That assumes maintenance of the available production structure and at the same time the expansion of the sections railroad underground construction and bridge construction. By 1980, compared to the actual 1975 output, we must raise production

- By 10 percent in track construction
- By 55 percent in underground construction
- By 32 percent in reinforced concrete bridge construction
- By 20 percent in steel bridge construction.

That will require the building-up or further development of special capacities in order to supplement present construction services and meet cooperation requirements not so far satisfied.

On this basis the Rbbd and its subordinated technical organs, plants and facilities will focus on the following tasks:

1. As track construction continues the main task, it will be necessary in the completion of the final product "track kilometers" even more tightly to link track construction with underground construction. Priority in track construction lies with

- The more rational production of uninterrupted tracks including the necessary welding operations
- Mechanization and the better organization of the transport of long rails, the exchange of rails and the conduct of final welding operations
- The reconstruction of selected yoke assembly sites.

2. Railroad underground construction must develop and generally introduce new technical solutions and processes for the drainage, reorganization and improvement of the load capacity of railroad substructures as well as build up the respective preparation and storage capacities for plastic materials and semifinished products.

3. The most important points with respect to bridge construction are these:

- To develop new design elements as well as processes for their manufacture
- To extensively standardize components and subassemblies

-- To increase prefabrication as the prerequisite for rationalization and the speed-up of assembly.

4. In general it will be necessary

-- To adapt suitable and tested technical-technological solutions of the construction industry to the conditions and circumstances of railroad construction, and

-- To provide manufacturing capacities for the production (in the Rethwisch concrete plant) of railroad-typical concrete components for railroad underground construction and reinforced concrete bridge construction.

5. The crucial concern of the industrial plants will be the more rational organization of their own production and manufacturing processes. Other key points are

-- The new and further development of wear resistant switch designs within the switching system

-- The development of diagnostic maintenance technologies in the plant for track construction engineering, and

-- The development of a new prestressed concrete tie as well as a new slab facility in the Rethwisch concrete plant.

6. The research and development unit at Blankenburg will be assigned the task to prepare the further perfection and rationalization of switching and the development/manufacture of devices for the construction and equipment sector.

The railroad transport sector requires the concentration of construction measures and the optimum utilization of the planned shut-downs by "round-the-clock" construction operations. This group of problems will assume steadily increasing importance within the framework of the intensification at the GDR Railroad. With these aspects in mind the Engineering Office for Railroad Construction Rationalization and the Naumburg Track Construction Works are preparing the construction project Vieselbach-Erfurt for 1977. Although we must wait for the actual results, it may be assumed even now that "round-the-clock" construction will yield real intensification effects only in those cases where such an operation is indispensable in the interest of the transport sector. Anyway, the decision should always be based on the economically defensible optimum. All track and engineering construction enterprises must adjust to this modus operandi. This again presumes--and without exception--the preparation and assurance of long-term stable construction programs.

The existing research and development capacities--largely constant through 1980--will be used to deal with the scientific-technological tasks in the departments listed earlier. At the same time it will be necessary to keep ready the necessary capacities for immediate work on rationalization tasks of the current production processes.

For the further speed-up of scientific-technological advances and the improvement of their economic and social efficacy the following intensification factors in the field of science and technology will be applied in the coming years:

-- Much greater importance will be assigned future-oriented work. To provide the groundwork for several years to come it will be necessary to arrive at a fundamental long-term decision about scientific-technological targets.

-- The standard of scientific-technological work must be improved throughout. The research and development collectives will be called upon to contribute great creative services, the maximum personal commitment (especially the correct politico-ideological attitude to their assignments) and persuasive force in the transfer of the results to productive utilization, especially relating to the useful exchange of opinions in the production collectives as well as with innovators and rationalizers.

The competition and innovator movements hold a decisive part in the accomplishment of tasks involved in socialist intensification. It will be imperative further to develop and apply the tried and tested methods of the competition. Beginning with the stage of development achieved the leadership conception on the development of the innovator movement through 1980 has set out the corresponding tasks and targets. The social benefit derived from the innovator movement, for example, is to amount to M82.4 million, that is an annual average of M16.5 million. This presumes raising the involvement of production workers in the innovator movement from 25 percent to 30 percent and increasing the share of the planned innovator activities from 45 percent in 1977 to 60 percent in 1980. In this context the innovators and their collectives are oriented to the most important--indeed crucial--tasks relating to plan fulfillment. It has been found useful in this connection to classify the measures of the plan science and technology, and this method will be steadily pursued.

To close still persisting or new mechanization gaps it is intended for the workshops in 1980 to develop and construct nearly twice the rationalization aids turned out in 1976. This trend shows that it is imperative for the expansion of decentralized manufacturing capacities in the various sectors to continue. It will be most important quickly to provide those rationalization aids and introduce them in practice, which originate in the innovator movement. The available production capacities in the Blankenburg research and development plant, the Brandenburg plant for track construction engineering, the machine and repair department of the Naumburg track construction factory, the Erfurt development and prototype construction plant will be optimally utilized for the design and manufacture of rationalization aids.

The development and effective utilization of the existing labor capacity has become a key question. Every hour, every minute is becoming more and more valuable and expensive. In the track construction and building construction enterprises one single hour lost by a production workers equals a loss of

production worth some M27, in the industrial plants a loss of as much as M47. It will therefore be imperative to concentrate all efforts on fully using working hours for productive activities and provide the necessary technical-organizational prerequisites for doing so. All factories must, as per plan and with the greatest thoroughness, analyze all time lost in order to be able to adopt complex measures for gradual implementation, beginning with the improvement of labor organization, the use of technically justified labor norms and the appropriate organization of working hours through the improvement of working and living conditions. It is particularly important to insist on the application of the measures set out in the Rbbd program on the development of working and living conditions of railroad construction workers through 1980. They must be planned, prepared and implemented as well as they possibly can be on the basis of long-term construction preparations.

In order to accomplish the challenging tasks confronting them and act in the spirit of the Fifth SED Central Committee Plenum the railroad construction workers will offer their contribution in honor of the Red October by outstanding performances.

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EAST GERMANY

FIGURES PROVIDED ON USE OF HOUSEHOLD CONSUMER GOODS

East Berlin DIE WIRTSCHAFT in German No 9, 5 May 77 p 21

[Article by Dr Werner Bischoff, Leipzig Institute for Market Research: "The Development of the Demand for Household Consumer Goods"]

[Text] The growing interlocking of the economies of the CEMA member countries also calls for the joint research and development of individual consumption and the demand for consumer goods and services. The urgency of arriving at common strategies for meeting the demand in all countries of our community arises from the following factors (among others):

-- The main task has, in one form or another, become the long-term strategic orientation of the economic and social policies in all CEMA countries;

-- The Complex Program orients to the gradual adaptation of the material standards of living and therefore also the standards of consumption of consumer goods;

-- Satisfaction of the expected demand for consumer goods and services necessitates long-term and often far reaching decisions regarding the development of the consumer goods industries in all countries as well as the appropriate cooperation and specialization among the various countries.

The latter is reflected in the preparation of long-range target programs for important consumer goods, for example durable domestic consumer goods such as refrigerators and washers.

Study Group Market Research

To improve cooperation in the field of market research the study group market research was set up in 1976 as the advisory organ of the ministers for inland trade of the CEMA countries. Its members are employees of the commercial research institutes of all CEMA countries. In accordance with the plan for long-term multilateral scientific-technological cooperation four topics are currently the subject of joint research. All of them concern problems of consumption and the demand for consumer goods. One involves the preparation

of a forecast of the development of the public's demand for durable household consumer goods. All CEMA member countries are involved in this project. The Leipzig Institute for Market Research was designated coordinator. The work is to be completed by the end of 1978. It will provide data on the total development of demand in all CEMA countries for the widest possible range of domestic consumer goods through 1990, the structure of this demand and the requirements involved in regard to the use values of the consumer goods to be supplied. The work is so laid out that it may be used as the basis for the preparation of long-range target programs for household consumer goods.

The results of the first stage of work--the preliminary combination of national forecasts--were discussed and approved at the second meeting of the study group market research, which recently took place in Leipzig. Established at the same time were the future steps for the planned handling of the topic.

Rationalizing Housework

Regardless of specific national conditions the appropriate supply of the public with domestic consumer goods is considered a particularly urgent task now and in future. Various common starting points or criteria were ascertained.

-- Private households have important functions in connection with the physical and mental reproduction of the members of society and the satisfaction of many needs. The importance of these functions is unlikely to decline in the forecast period. In fact it will probably increase.

-- The time currently needed for housework is substantial in all countries. It fluctuates between 37 hours (USSR) and 47 hours (Hungarian People's Republic, GDR) per household and week. In all countries women carry the preponderant burden of housework, holding a share of 70-80 percent.

-- In the interest of the all-round development of the personality it is a social requirement to reduce this burden of housework by rationalization. The members of the study group are agreed that this is bound to be a long-term process.

-- Technological consumer goods are assuming increased importance as rationalization aids in households, and this is accompanied by the growing socialization of household operations (such as the use of service facilities--laundries, communal meal facilities, and so on). The social need for the use of appliances in the household is matched in all countries by the public's demand for the use of a wide assortment of household consumer goods.

It should be noted that consumer demand for household consumer goods has tended to develop very rapidly indeed. In the GDR, for instance, the public's expenditure on household goods rose from some M1.8 billion in 1960 to

M2.8 billion in 1970 and to about M4 billion in 1976. In fact this expenditure rose faster than people's net earnings in the same period.

This development provides evidence of the rising public demand on the one hand, and of the greater opportunities for their satisfaction by the availability of appropriate supplies on the other.

A similar development may be observed in most CEMA countries regardless of the relatively wide differences in the standard of the level of consumption and the fact that the process of equipment with respect to some consumer goods began only a short while ago. In addition we must of course take into account national and regional peculiarities in consumer habits.

Rising Demand for Replacement

Studies have shown that the existing trend regarding the equipment with household consumer goods will continue.

The range of appliances used in households will expand. Estimates for the GDR assume that the figure for appliances serving the average household will rise from 10 in 1976 to more than 15 by 1990. (The calculation includes 18 of the most important household consumer goods.)

Ownership of many household consumer goods will approach or achieve satiety. Linked with this fact is the progressing leveling out of the standard of equipment among various sections of the public within the countries. Demand is now concentrated increasingly on the replacement of outworn appliances. Greater demand is to be expected especially for those appliances which are not yet generally owned or have only recently come on the market.

The rate of demand and consumption development will differ from assortment to assortment and from country to country. However, there will be a gradual adjustment of the level of consumption among all the countries. In fact this trend is already apparent with respect to some countries and assortments (see table).

This process is coupled with the gradual adjustment of consumer habits and lifestyles of the peoples in the various countries. This provides significant prerequisites for the increasing internationalization of the supply of household consumer goods. Yet in future also national specifics will persist in consumption and utilization, and that will result in differences in the demand of the various countries.

We must assume the increasing shift of demand in all countries and for all assortments to modern appliances with optimum use values. That applies especially to the extent of automation of the devices, rational energy use, minimal care, ease of operation, maintenance and control and also attractive shapes and colors. Demand will be increasingly influenced by the success achieved in meeting this trend by an adequate supply of new and further developed household consumer goods.

All countries of our community are confronted with the task of ensuring, by the appropriate activities, that the expected demand for household consumer goods may be satisfied both as to quantity and quality, thereby meeting an important sociopolitical requirement of our society. A satisfactory basis is established by the long-term target programs which are currently in preparation for some consumer goods.

Tasks for Industry

To satisfy the demand it will be necessary for every country to develop its consumer goods production taking into consideration the national demand and the total needs of the community. That involves reasonable specialization and cooperation. These should proceed primarily and from the preparatory stages on with respect to subassemblies, technological parameters, the provision of standardized norms, and so on; rather less in the specialization of the production of finished products.

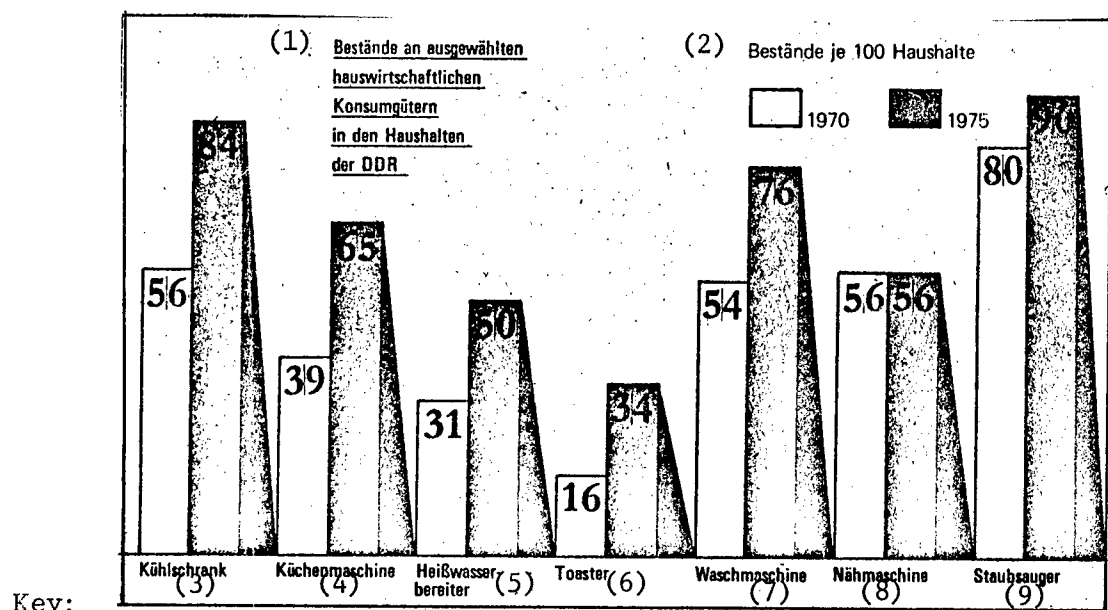
Special importance lies with the increased production of new and further developed items based on demand. Industry carries a great deal of responsibility in this matter.

In addition to the need for the steady improvement and standardization of the methodological equipment and the ongoing examination of the topicality of data regarding demand, new questions and obligations arise for the joint work on market research. Answers must be found to outstanding problems such as (to name only a few)

- The improved ascertainment of the development of demand within the assortments, that is the quantity-quality-value consideration,
- The more accurate ascertainment of approaching satiety,
- The more accurate determination of the useful life of items and the need for replacement,
- The determination of the effect produced by such factors as the rapid advance of housing construction on the demand for certain appliances,
- The determination of the interrelation between the use of appliances and the demand for services.

Future joint work will certainly be able to find answers to many of these problems. We will, however, achieve complete success only if institutions of the consumer goods industries as well as those of the retail trade are involved, because the former especially can significantly contribute to the clarification of certain questions by undertaking their own studies and collaborating in others with the retail trade. In our opinion it is in fact their duty to make such a contribution.

Graph



Key:

1. Stocks of selected household consumer goods in GDR households
2. Stocks per 100 households
3. Refrigerators
4. Kitchen appliances
5. Water heaters
6. Toasters
7. Washers
8. Sewing machines
9. Vacuum cleaners

Table-- Development of Stocks of Refrigerators and Washers per 100 Households in Selected Countries

Country	Refrigerators			Washers		
	1960	1970	1975	1960	1970	1975
Bulgaria	1	29	61	4	50	55
Hungary	1	32	68	15	56	70
GDR	6	56	84	6	54	76
USSR	4	31	61	4	52	65
CSSR	12	57	77	52	75	90

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EAST GERMANY

DECREASED 1976 AGRICULTURAL YIELDS ANALYZED

Cologne DEUTSCHLAND ARCHIV in German Vol 10 Apr 77
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[Article by Dr Bernd Spindler, staff member of the All-German Institute, Bonn: "GDR Agriculture and Forestry in 1976"]

[Text] Due to the drought, 1976 was for GDR agriculture and forestry one of the worst years in the last decade. This is the picture presented in the reports published by the Central State Administration for Statistics. According to the available information on the individual crops, total production--rated in terms of grain units--decreased by approximately 14 percent. With regard to animal products, on the other hand, plan targets were met. However, according to the plan fulfillment report, agricultural net production decreased by almost 10 percent; thus production in this sector of the economy fell short of the targets set by the government and the SED.

Effect of the Drought

In some GDR bezirks, the precipitation deficit--50 percent of the precipitation occurred during the first months of the year, from January until the end of June¹⁾--led to losses of up to 50 percent of the plan targets for crop production. In the case of winter barley, for example, the decrease in yield amounted to 30 to 40 percent. The forage crops suffered equally great damage: In many areas, the second harvest dried up so that increased intercrop cultivation became necessary. The drought also led to a lowering of the ground water table. In the south of the GDR, the ground water tables were 10 to 80 centimeters below the averages established over many years; in the central bezirks, the decreases ranged from 40 to 120 centimeters, and in the north, from 60 to 120 centimeters. This impeded especially the growth of the root crops. Due to the lowered ground water tables, the capacity of the surface wells in rural areas, especially in the central and northern GDR bezirks, proved insufficient for meeting the water needs of the population or the irrigation requirements of agriculture²⁾; consequently, additional expenditures

were necessary, in order to ensure a sufficient water supply. In the GDR forests, approximately 5,500 hectares of timber were lost through forest fires; in comparison with previous years, this represents an increase of 300 to 400 percent.³⁾ The damage amounted to approximately M 10 to 15 million.

More than 6,000 hectares of forest preserves with millions of young trees were lost on account of the drought; in some parts, all young growth dried up and in other parts, damage amounted to between 30 and 50 percent of the total area. Furthermore, the pine needle litter--10 to 30 cm in depth--dried up completely.⁴⁾ With regard to reforestation, this caused considerable difficulties. Another danger to the forests, especially to extensive coniferous stands, were the noxious insects, the propagation of which was very much helped by the drought. Some parts were infested by three generations of the dangerous bark beetle.

The long-lasting drought and the extreme heat considerably reduced the vitality of large parts of the GDR forests. The effects of this--short pine needles and shoots and reduced trunk diameters--will become evident in the next few years. At present, the extent of the damage--caused by the drought and the effect of solar radiation on older stands of timber--cannot be correctly appraised yet.⁵⁾ Heavy losses occurred also in other areas; the extreme weather conditions reduced the yield of resin by approximately 2,500 tons and led to considerable decreases in yield in the osier stands.⁶⁾

Due to the water and oxygen shortage and the higher water temperatures, the extreme weather conditions also led to considerable losses in freshwater fishing, causing the death of approximately 200,000 one-year-old and 20,000 two-year-old carps. Due to the low water levels, 20 percent of all ponds in the Dresden bezirk could no longer be used for fishing. In a single trout-breeding installation, production losses amounted to 10 tons of fish.⁷⁾

Assistance by the GDR Government

Upon recognizing the bad situation in agriculture, the GDR Government decided to adopt remedial measures in support of this sector of the economy. In contrast to the Federal Republic, these measures were hardly mentioned in the press. The first measure was the appropriation of M 50 million for the agricultural enterprises. These funds were to be used for the expansion of intercrop cultivation, in order to reduce the livestock feed losses.⁸⁾ Since the GDR was not able fully to satisfy out of its own resources the heavy demand for seeds, it took advantage of the possibility to obtain additional supplies through the intra-German trade. The funds are managed by the Bank for Agriculture and

Food Production (BLN). The Bank granted the farms credits for ensuring the monthly advance payments and for covering the cost of the replanting of fruit trees and of reforestation. The farms and the drying plants were granted an interest remission of 3 percent, if the accumulating straw was fully utilized for processing into fodder. The state also promoted the construction of additional silo capacities and the purchase of acorns and chestnuts by the state forestry enterprises and state grain combines.⁹⁾ Subsequently, in the course of the year, the agricultural subsidies were increased to M 300 million, in order to compensate the enterprises for the losses incurred.¹⁰⁾

Grain Crop

Due to the drought, the grain harvest--approximately 2.5 million hectares--started ten days earlier than in previous years. The grain acreage was further expanded in 1976 and by 1980, it is to be increased to 3 million hectares at the expense of the feed grain area. Taking into consideration the condition of the plants and the prospective yield, the decision was made as to whether to harvest merely the grain or the entire plant. In the latter case, the chopped straw was enriched with urea in drying installations and then converted into pellets, in order to obtain high-grade fodder. The grain harvest was carried out in shifts with approximately 11,350 E513 harvester combines. In 1975, the degree of mechanization in this partial sector was reported to be 100 percent, with older combine models constituting 1.9 percent.¹¹⁾ Last year, the combines were employed in units comprising 10 to 15 machines--a measure based on the experience gained during the 1975 harvest. By means of such concentration, it would be possible to reduce by approximately 50 percent the number of maintenance trucks--which are still in short supply--, transport capacity by 10 to 15 percent and manpower by 10 to 15 percent.¹²⁾

Some of the difficulties and problems encountered during the 1975 harvest, above all the lack of transport capacity, came up again last year. This shortage was eliminated by borrowing trucks from enterprises in industry and forestry. The insufficient supply of spare parts and the shortage of mechanics resulted in additional down time for the harvester combines. The long conversion times required by the units caused a reduction of output. Since the roofed-over storage space and the drying capacity of the corresponding installations were likewise insufficient, it is safe to assume that there were losses as well.¹³⁾

The first unequivocal statement concerning the results of the grain harvest was made by Erich Honecker in a speech delivered in Karl-Marx-Stadt: He mentioned that the yield per acre amounted after all to 32 quintals.¹⁴⁾ Thus, with an area of approximately 2.5 million hectares under cultivation, the yield can be assumed to have totalled approximately 8 million tons of grain.

Potato Crop

Last year's potato harvest likewise got an earlier start. The area under cultivation probably approximated 550,000 hectares. The harvest was carried out at a mechanization level of approximately 95 percent.¹⁵⁾ The standard harvesting machine was the double-row trailer lifter, model E665, with its numerous variants. In addition to the partial mechanical separation of rocks and clods, the E665 model also made possible the removal of foreign matter and rotten tubers. In places with a high content of foreign matter, it was still necessary to do a great deal of the work by hand and even with reduced output the elimination of foreign matter was insufficient and additional in-plant removal was required. In places with low rock content, the new E684 model was employed, a triple-row trailer lifter-loader which is considerably more efficient. This work was also done in shifts.

In order to minimize harvest losses, special damage inspectors were employed, who examined the harvested areas and the crop for damages. Since the pickup rate of the harvesting machines was less than 100 percent, it was necessary to use manpower for gleaning. Maintenance and repair work was carried out with maintenance trucks by the mechanics and other specialists of the kreis enterprises for agricultural technology. The agrochemical centers were also responsible for transporting the crop from the field to the sorting place, where the potatoes were graded in three work shifts.¹⁶⁾ In comparison with the previous year, there was a 30 percent decrease in crop yield. The low yields per hectare was again caused by an insufficient supply of new high-yield varieties suitable for industrial production and storage, by the poor quality of the seedlings, by deficiencies in the production of plants for reseeding and by the failure to comply with the agricultural and agrotechnical requirements in the production of seed and cooking potatoes. Crop damage--caused by deficiencies in the use of technology--was still too extensive; moreover, there are still shortcomings in storehouse management.¹⁷⁾

Sugar Beet Crop

Sugar beets were harvested from an acreage of 270,000 hectares. Last year, this crop occupied the largest area. The harvest was again carried out by machine units; so far it has proved optimal to have each unit comprise four sets each of triple-row toppers and lifters. With this setup, it was possible with two shifts in twenty labor-days to dig up approximately 380 hectares. For this work, the workers had at their disposal over 5,800 toppers and over 4,000 lifter loaders, including approximately 500 self-propelled machines of the KS6 model¹⁸⁾ which is produced within the CEMA domain. This new self-propelled six-row lifter, which was employed in units of three, produced excellent results. Since the pickup rate of the harvesting machines fell short of 100 percent, it was necessary to fall back on manual labor for gleaning.

Quality inspectors in the harvesting units were instructed to pay special attention to the reduction of harvesting losses.¹⁹⁾ In order to minimize idle time, mechanics and other specialists of the kreis enterprises for agricultural technology again assumed the maintenance and repair duties. The beet transport was for the most part handled by agrochemical centers (ACZ). With the high-speed unloading operations at the plant proceeding without a hitch, it took approximately five W60 trailer trucks per lifter to handle the direct transport to the plant. Among the advantages of direct transport were the elimination of the need for intermediate storage and the reduction of losses. As in 1975, several hundred trailer rigs and trucks were employed supra-regionally last year, since transport capacity was still in short supply.²⁰⁾

The processing of the sugar beets was carried out by the 47 sugar factories²¹⁾ which in 1966 had been assigned to 13 control enterprises (in Guestow, Stralsund, Anklam, Letschin, Genthin, Haldensleben, Oschersleben, Halberstadt, Bernburg, Halle Artner, Zeitz and Oschatz). Most of these plants are located in the Halle beet-growing region and in the Magdeburg Boerde.²²⁾ The sugar factories have for the most part become obsolete. The delivery taking, processing and storage of sugar beets still caused problems for many factories; for several years great efforts have been made to reduce storage losses in particular. For this reason, storage capacity has been steadily expanded.²³⁾

The yield of the 1976 sugar beet harvest amounted to 187 quintals per hectare. In comparison with the five-year average computed for the period from 1971 to 1975, the decrease in yield amounted to 33 percent.²⁴⁾

Further Causes of the Decreases in Yield

The primary causes underlying the low crop yields in 1976 were the drought and the extreme heat; however, there were other contributing factors. In many cases, the crop rotation was not strictly adhered to. Moreover, due to the insufficient supply of organic substances, the soils lacked the buffer capacity necessary in extreme weather conditions. For this reason, it is planned to increase the use of organic fertilizer: All organic substances obtainable in crop production and livestock breeding, in industry and in municipal enterprises are to be collected and processed for the purpose of further increasing soil productivity.²⁵⁾

In 1976, the soil did not receive a sufficient supply of micronutrients, such as boron, copper, manganese, molybdenum, zinc and magnesium. Due to the drought, the magnesium flow and diffusion was restricted to such an extent that the soil could not provide a continuous magnesium supply. Soil examinations showed that micronutrient-intensive crops could not be assured a sufficient supply of these substances (in the case of boron, 43 percent; copper, 50 percent; manganese, 12 percent; molybdenum, 38

percent and zinc, 2 percent of the samples examined).²⁶⁾ One of the reasons for this is probably the fact that until 1971 the agricultural enterprises were only rarely requested to undertake soil examinations for micronutrient content; consequently, there is a great need for remedial action.²⁷⁾ Further difficulties arose in the optimal distribution of fertilizer by the plant protection service--which was not always equal to the task--and in the selection of the suitable seed varieties for the various locations in accordance with the regional distribution program for grain and potatoes.²⁸⁾

Livestock Breeding

In contrast to agriculture, the plan targets for livestock breeding were fully met in 1976. It was not possible however, to maintain or expand present livestock resources. The reason for this is probably the reduced production of feed grain and coarse fodder (hay, chaff and straw), for in comparison with the five-year average computed for the period from 1971 to 1975, truck forage crops, field forage crops and silo corn showed yield decreases of 26, 13 and 41 percent respectively; this falling off in yield occurred despite the cultivation of an additional 160,300 hectares of winter intercrops and despite the production of over 1.4 million tons of straw pellets. Thus, in comparison with 20 November 1975, beef cattle decreased by 1.1 percent, cows by 0.5 percent, hogs by 1.8 percent, and sheep by 0.7 percent; on the other hand, it was possible during the same period to increase the stock of layer hens by 2.6 percent.²⁹⁾ It will be at least two years, before this decrease in the stock of dairy and beef cattle can be made good, since the animals need this much time to become fit for breeding or milk production. In the coming months, the livestock resources will probably show a further decrease, since fodder is still in short supply. At present, it is difficult to predict to what extent this will affect the supply of animal products for the GDR population. However, major shortages are unlikely to occur.

Within the individual GDR bezirks, there was also variation in the level of production in livestock breeding. Thus the data obtained in 1975 probably also applies to 1976. G. Winkler points out that in 1975 in the Frankfurt/Oder bezirk, each cow produced an average of 3,636 kg of milk, whereas the yield in the Leipzig bezirk was 4,067 kg per cow. However, the genetic production potential, which should be at least 4,500 kg of milk, was not achieved in any bezirk.³⁰⁾

In livestock breeding, which in 1976 was undertaken by 3,394 LPG [Agricultural Producer Cooperative] and 389 VEG [State Farm] with conventional production methods, 7 LPG and 29 VEG with specialized production methods, 360 inter-plant or inter-cooperative livestock breeding installations

and 30 KIM [Industrial Fattening Combine], the percentage of efficient production facilities is still relatively small: For dairy cattle, 3.6 percent; for hogs, 17.8 percent, and for layer hens, 33.8 percent.³¹⁾ For some time, it will therefore be necessary in livestock breeding to fall back on the great number of available old sheds. Last year, for example, 55 percent of all cow stalls were in sheds built before 1960. Approximately 35 percent of the cows were still being kept in buildings with a capacity of less than 90 stalls;³²⁾ consequently, the tending of the dairy cattle still required a great expenditure of labor, for in these old buildings mechanization is extremely costly.

Fodder Management

The problem of fodder management is aggravated by the fact that on the one hand the harvest was insufficient and that on the other hand many enterprises failed to attain an optimal feed utilization. In many cases the quality of the feed produced--equalling an annual M 10 billion in value--still remains insufficient.³³⁾ By providing information and feeding suggestions, savings and an improved feed utilization are to be made possible. A TV program, which has been broadcast every Thursday since 18 November 1976, deals with problems of feed economy. Complementing the program, the NEUE DEUTSCHE BAUERNZEITUNG [New German Farmer's Paper] publishes reports based on the practical experience of the agricultural enterprises.³⁴⁾ Another measure was the construction of additional drying plants in the GDR; at the end of the year, there were over 300 of such facilities. The drying plants continued to produce straw pellets, in order to expand the feed basis for livestock breeding. Plan projections for last year had stipulated the production of 600,000 tons; on account of the crop failure, however, over 1.4 million tons of straw pellets were produced.³⁵⁾ In addition, the production of mixed fodder was steadily expanded. Last year, it totalled approximately 4.5 million tons and according to plan projections, it is to reach 6.12 million tons by 1980. Approximately 100 enterprises of varying capacity were engaged in the production of this type of feed, which was used above all in the production of hogs, eggs and fowl by industrial methods.³⁶⁾ The poor feed utilization results in livestock breeding were caused on the one hand by the immanent shortage of protein feeds and on the other hand by the insufficient use of mineral substances and additives.³⁷⁾

Agricultural Technology

Although it was possible to increase the level of mechanization in agriculture--by providing more tractors and harvester combines for example--the plan targets for 1976 were not met. As to tractors, production fell 470 units short of the plan target, while in regard to

combines, the deficit amounted to 50 units.³⁸⁾ As to other types of agricultural machinery and the respective spare parts, the situation is probably the same. However, no pertinent data has been published on this subject. It is safe to assume that in many cases the lack of spare parts led to unnecessary down time.

The enterprises varied greatly in regard to the rate of utilization of agricultural machinery. Thus, investigations in 160 KAP [Cooperative Crop Production Department] regarding the use of the K700 tractor showed an average of 2,121 hours of operating time per year, whereas some tractor drivers logged over 3,000 hours.³⁹⁾ This variation is probably caused on the one hand by better maintenance and on the other hand by quicker repair work. So far, it has not been possible to find out to what extent the variation can be attributed to the fact that many KAP relinquished their repair capacities to the kreis enterprises for agricultural technology.⁴⁰⁾ Certainly, these enterprises can do the necessary repair jobs more quickly and at lower cost, since they are technically much better equipped than the agricultural enterprises.

Forestry

According to information published by the Central State Administration for Statistics, the state forestry enterprises met the 1976 plan targets.⁴¹⁾ These 73 enterprises succeeded in clearing up the damage caused by rolled timber in 1972 and in reforesting parts of the deforested areas.⁴²⁾ In this sector of the economy, the number of workers employed was approximately 43,700. During the period from 1965 to 1975, the workers were able by means of new logging methods to increase logging productivity by 27 percent.⁴³⁾ These forestry enterprises closely cooperated with the agricultural enterprises. During the summer, they gave manifold support to agriculture; in the winter, they provided jobs, above all to the KAP workers, for upon the completion of the harvest work in the fields, the crop production departments did not have enough work for their employees. In accordance with contractual agreements reached with approximately 7,000 cooperative farmers and agricultural workers, these workers were employed in logging, forest management, timber transport and in the production of building materials and consumer goods in the state forestry enterprises. The women were for the most part employed in the production of building materials and consumer goods. Apart from labor, the agricultural enterprises also provided the necessary means of transportation as well as the fuel required. The cost accounting was done jointly with the forestry enterprises upon the completion of the work.⁴⁴⁾ In 1976, shift work found increasing acceptance also in this sector of the economy; this resulted on the one hand in increased labor productivity and improved machine utilization and on the other hand in a reduction of cost per cubic meter of timber.

Due to the insufficient supply of spare parts, however, work stoppages still occurred.⁴⁵⁾ In order to minimize breakdowns of logging equipment, cooperation with the kreis enterprises for agricultural technology was further intensified. Studies had shown that the available repair capacity was insufficient and that orderly stock management was impossible in view of the many different models of equipment to be repaired; consequently, the repair shops of the logging industry have of late begun to concentrate just on maintenance and light repair work. The kreis enterprises for agricultural technology, on the other hand, took care of the major reconditioning jobs; they stocked up on the appropriate spare parts and continued their efforts at specialization and concentration.⁴⁶⁾

In order to improve the housing and living conditions in the countryside, the enterprises of the logging industry took a greater share in supplying building materials, hardwood panels and roof standards for private homes;⁴⁷⁾ in addition, they did the preparatory work for the production of wooden or prefabricated houses.⁴⁸⁾

It is safe to assume that it will not be possible in all sectors of agriculture to meet the targets set by the five-year plan for the period from 1976 to 1980. On the one hand, it will take years to undo the soil damage caused by extreme heat and drought. On the other hand, the funds and materials available for the measures necessary for improving the situation in agriculture are limited. Since the GDR--a country lacking in raw materials--will have to pay increasingly higher prices for raw materials even within the CEMA domain, the targets set by the five-year plan will probably have to be considerably reduced in the course of the next few years.

FOOTNOTES

1. "The TV Press Conference," GDR Television 7 July 1976.
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3. GDR Statistical Yearbook for 1976, East Berlin, 1976, p 2.
4. NEUES DEUTSCHLAND, 1 January 1976, p 11.
5. BAUERN-ECHO, 21 July 1976, p 2, and NEUES DEUTSCHLAND, 21 July 1976, p 2.
6. NEUE DEUTSCHE BAUERNZEITUNG, No 31, 1976, p 10.
7. NEUES DEUTSCHLAND, 21 July 1976, p 2.

8. NEUE DEUTSCHE BAUERNZEITUNG, No 34, 1976, p 13.
9. Ibid.
10. NEUES DEUTSCHLAND, 11/12 December 1976, p 4.
11. GDR Statistical Yearbook for 1976, p 187.
12. FELDWIRTSCHAFT, No 6, 1976, p 250 ff. and KOOOPERATION No 4, 1976, p 161 ff.
13. FELDWIRTSCHAFT, No 6, 1976, p 251.
14. NEUES DEUTSCHLAND, 16/17 October 1976, p 3.
15. GDR Statistical Yearbook for 1976, p 187.
16. NEUES DEUTSCHLAND, 27 August 1976, p 3.
17. M. Pflaumbaum, "Causes of Potato Blue-Spotting and Measures for Its Prevention," SAAT-UND PFLANZGUT, No 9, 1976, p 139 ff, and D. Schulze, "Experience Gained by the Broderstorf and Reichenbach KAP in the Production of High-Quality Cooking Potatoes," FELDWIRTSCHAFT, No 9, 1972, p 4031.
18. NEUES DEUTSCHLAND, 9/10 October 1976, p 2.
19. NEUES DEUTSCHLAND, 27 October 1976, p 3.
20. PRESSE-INFORMATION, No 118, 14 October 1975, p 2.
21. NEUES DEUTSCHLAND, 27 September 1976, p 2.
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24. NEUES DEUTSCHLAND, 22/23 January 1977, p 4.
25. PRESSE-INFORMATION, No 8, 20 January 1977, pp 3 ff.
26. G. Markgrav; W. Borchmann, "Functions of the Soil in Ensuring an Optimal Supply of Plant Nutrients under Industrial Production Conditions," ARCHIV FUER ACKER- UND PFLANZENBAU UND BODENKUNDE, Vol 20, No 12, 1976, pp 848 ff.

27. BAUERN-ECHO, 3 February 1977, p 7.
28. O. Schroeder, "Some Points of Emphasis in the 1977 Crop Production," FELDWIRTSCHAFT, No 1, 1977, p 6.
29. NEUES DEUTSCHLAND, 22/23 January 1977, p 4.
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31. G. Gruenberg, "How Are the Resolutions of the Ninth Party Congress Implemented in Agriculture and Food Production?" EINHEIT, No 9, 1976, p 1008.
32. W. Meissner, "Further Intensification--a Political Task of High Priority," DER PFLUEGER, No 1, 1977, p 10, and BAUERN-ECHO, 26 November 1976, p 6.
33. NEUES DEUTSCHLAND, 19 November 1976, p 1 and 20 November 1976, p 2.
34. Ibid.
35. NEUES DEUTSCHLAND, 31 December 1976, p 1.
36. BAUERN-ECHO, 5 January 1977, p 1.
37. G. Wacker, "Tasks of Fodder Production in 1977," FELDWIRTSCHAFT, No 1, 1977, p 9.
38. NEUES DEUTSCHLAND, 22/23 January 1977, p 4, and 8 December 1976, p 4.
39. G. Winkler, op. cit., p 3.
40. NEUES DEUTSCHLAND, 28 October 1976, p 3.
41. Ibid., 22/23 January 1977.
42. Ibid., 28 December 1976, p 2.
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44. BAUERN-ECHO, 20 December 1976, p 5.

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HUNGARY

NATION'S FINANCIAL ADMINISTRATION DISCUSSED

Budapest VALOSAG in Hungarian No 4, Apr 77 pp 14-26

[Interview with Lajos Faluvegi, finance minister: "The Nation's Finances"; date and place not given]

[Text] [Question] No matter how I keep looking at the list of Hungary's 17 ministries, the one which is alphabetically the last is the one which I know the least as to exactly what it does. What does it guide and regulate? Where is its position in the structure of the economy and the state administration, between the Plan Office and the ministries guiding industrial and agricultural production? And in the determining of financial affairs what is its role, along with or over the OTP (National Savings Bank) in arranging for the payment means of the Hungarian state, the finances, deposits and credits of the currency-issuing Hungarian National Bank and others — there are two more, the State Development Bank and the Commercial Bank — and to a considerable extent of the population.

Once, as a matter of fact, the activity of the Ministry of Finance — or does it now only seem so? — was of a comprehensive nature on one hand and of an overall reviewing nature on the other. It arranged state finances, determined receipts, and with this it basically influenced expenditures. Only at the time, the overwhelming bulk of state receipts consisted of taxes, fees, custom duties and monopolies. Today, on the other hand, state income derives primarily from production profits and the withholding of a part thereof, and expenditures are represented by the redistribution of the sums withheld (for centrally financed investments, allotments excluding wages, and purposes serving the common public interest, and so forth). The guidance of all these processes, however, takes place in a structure so complicated that at times the individual decision-making organs and levels — as far as outsiders are concerned, and we can also state as far as public opinion is concerned — are rather confusing.

Lajos Faluvegi, the minister of finance who has filled this post since 1972, has worked in his specialized field, which he now heads, for all his career. My first question is "gray" but inevitable: What is the position of the Ministry of Finance in the state administration system? What does it mean when it is said that from year to year you are the one who presents the accounting of the state budget in Parliament?

[Answer] The management and financial characteristics of every state are determined by the kind of social-economic system it has. When the means of production in Hungary did not belong to society and economic policy did not serve the interests of the working people, there was no plan management, and naturally the relations between the budget and the enterprises, the budget and the population were different from today's.

In 1938, the state budget distributed one third of the national income, but it concentrates three fourths of today's national income. Today, the economic plan guides "capital movement" among enterprises, and largely through the budget. The state budget balances out the differences in domestic and foreign price systems and the variations in domestic producer and consumer prices. Before the war, scarcely one-tenth of all the country's investments were covered from the state budget, whereas in 1950 three fourths were so covered; nowadays it is again less, but still one-third. The state's social policy is also more extensive. In 1950, we devoted 20 percent of budgetary expenditures to social allowances, and in 1975 this increased to 37 percent. The scope of institutions financed by the budget also expanded considerably. On the other hand, the population's tax assessment is substantially more narrow. While in 1950 the population's tax payments made up 20 percent of budgetary receipts, nowadays it is scarcely 2 percent. All this has changed the role of the budget in the economy and its place in guidance.

Naturally, the state budget is not only the result of work by the Ministry of Finance. The working out of the budget is a complicated, manifold task in which numerous other institutions and, without exception, every organ of state administration participates. Economic and social-political guidelines are established at political forums, and these are concretely conceptualized to a considerable extent in the economic plan, and their realization is made possible in establishing the financial targets of the budget. Of course, it is not possible directly to conduct every item of the budget from the economic plan. The financial targets are more detailed, and are finalized in broad-scale collations and discussions.

In establishing the receipts and expenses of the budget, therefore, we must coordinate national economic interests with the partial interests of individual branches, areas, organizations, collectives and population groups and strata.

A unified financial outlook — commonly called the financial policy — assumes that every money institution, whether belonging directly under the supervision of the finance minister or not, must conduct a money policy coordinated and harmonized with the Ministry of Finance. The institutional limits are naturally also adjusted thereto. The financial balances — the budget, the national credit balance, and the balance of international payments — must also be harmonized in the course of planning.

Finally, the state budget, at the same time as the economic plan, is debated by the State Planning Office, and then the Council of Ministers. It is

discussed by the parliamentary committees (there are 11 standing committees). Taking into account all their positions, the finance minister presents it to Parliament for enactment into law. These same forums also debate the financial processes of the past year and the summary final account on the fulfillment of the budgetary targets.

It is no small task for the Ministry of Finance to transact the approved budget. This year, for example, we are handling about 360 billion. The money necessary for the management of the approximately 25 institutions, financed from the budget, must be collected and forwarded. We must exercise control over whether the enterprises, the cooperatives and the population are paying the appropriate sums into the budget and whether the expenditures, as accounted for, are justified and the goals are proper. We must also evaluate the reports on the financial management of the managing organs.

In the latter half of the 1960's, the importance of finances changed because money was given greater — although in my opinion still not great enough — attention in management. Stress was laid on the question: What is the cost, and how economical is it? Thus finances play a substantially greater role in the guidance of decision-making and enterprise activity; to put it in our customary way, they mediate national economy interests to the managing organs. The enterprise tax and support system developed from income withholding into income regulation, and material incentive appeared as one of the major motivational factors in enterprise decisions. In foreign trade, moreover, international financial relations expanded further, and for this reason rates of exchange, customs duties, and the receiving and granting of international credits became greatly important. The local councils were given greater autonomy, and for this they received money resources. The central budget, on the other hand, undertook to reduce the differences in area provisions; because of the differences in higher living standards and incomes, the role of taxes on the population is also again increasing. Economic analyses in large numbers and applied research are necessary for the solution of tasks of this nature. Thus we cannot believe that it is the Ministry of Finance exclusively which assembles and coordinates budgetary and final account data. The tasks are much more manifold, for financial means must be developed and maintained for the indirect economic regulation of enterprise operation.

We must also devote a great deal of attention to the shaping of a concrete financial outlook and making this known. When financial affairs not only have an informational role but also a guiding, stimulating, limiting and controlling role, it is very important for us on the financial side, to try to promote the constantly moving balance of the economy, the sensitivity of the economic experts for social problems, the development of democratism in guidance, and frank dialogs and discussions concerning the problems to be solved. These, of course, are not specialized financial problems but principles, I think, which we cannot permit to be forgotten in any area or at any post. We would like to promote this in the professional periodicals as well as in training, economic debates, where we try to harmonize our views with those of other management guidance institutions and economic organs — enterprises and

cooperatives. I think that the population also knows more about the budget and, in general, about finances than it once did. Interest in economic matters is gradually increasing, and along with it information on the details of management. Now the finance minister appears twice a year in the media — press, radio and television — presenting the state housekeeping plan, the "budget", and later the final account of its fulfillment to Parliament under maximum publicity. Public opinion encourages and judges him.

[Question] Your post is one forum where you may have the most comprehensive view. From this post how do you see our economic situation, the development and the prospects of its internal and external balance?

[Answer] It is possible to characterize the balance situation of the economy only by analyzing many factors and drawing conclusions therefrom. I regard the employment ratio as a basic characteristic. In Hungary, everyone receives work. In fact, the problem is that manpower is not located in all places where it would be needed. This also means a lack of balance, which can be solved only through intensive investments and better work organization. Another important characteristic is the ratio of consumer demand satisfaction. We may state that the population is well provided with food, clothing and household apparatuses. In general, these can be purchased by anyone who has the money, although the poor variety still causes a great deal of irritation. Unfortunately, the housing shortage is still considerable, and there are still many houses built according to low standards. The housing shortage makes it difficult for young people who are starting their life, for families with a large number of children, and for societal mobility. Thus it causes basic problems, the solution of which can be expected only with more and faster housing construction. In general, we could not create a balance between investment demand and supply. It is well known that we have a standing problem of more investments in process than we are able to construct. This causes many disturbances in the carrying out of investments. Certain services are also in short supply, which means many difficulties for administration.

The balance situation of a given country is also indicated by whether prices are relatively stable or inflationary. In Hungary, price movement has picked up, but prices from an economic point of view can still be described as rather rigid. The general disposition of the consumer could be more favorably affected by full price stability, but the absence of accommodation to world market price movements — which are causing us extremely unfavorable and great losses — is hindering the development of an advantageous production, marketing and consumption structure. In the final analysis, this limits the restoring of balance, and over the long run it could only lead to affecting the disposition of the public adversely. The way out, naturally, is not through inflation but a regulated and flexible price mechanism harmonized with income policy.

Balance or balance disturbances can also be studied from other points of view not yet mentioned here, but among these the clearly most prominent and characteristic is the study of the financial balance. Finances react with

particular sensitivity to changes in the balance situation, and they show comprehensively the combined effect of various dynamic phenomena in the economy and the balance situation of the entire economy. Financial balance can forecast disturbances.

Beginning in the mid-1960's, the state budget has shown a deficit for every year. The deficit is not an important one, for even the largest was scarcely 2 percent of total expenditures, and in 1975 it did not even reach 1 percent. And still the deficits exist, that is, expenses are greater than receipts. (Let me note that in 1938, for example, the deficit in the Hungarian state budget was close to 6 percent.) The economists are debating their judgment of the budgetary deficit. There is a widely held view — which is mine, too — that we must first of all study the combined balances of the total financial balance because the permanent money accounts of enterprises and the population in domestic banks is a good cover for budgetary expenses — naturally along with the obligation to repay. And foreign credits, if not excessive and repayment opportunities exist, are also useful sources for budgetary expenses. Many countries besides Hungary use this latter means, particularly in periods of rapid development. Our foreign debts are not excessive; we regularly meet our payment obligations, and our credit ability is classified as "first class" on the international money markets.

In any event, however, our economy is not in full balance in the mirror of financial balance. There are a number of reasons. We would like to develop, grow more rapidly than we are able from our own resources. The increase in the effectiveness of our economy is slower than the growth of our social and economic demands. This difference has been increased in recent years by the price losses we have suffered on the world market. It is exactly because of the lack of balance experienced in the broad sense that we regard it important to show the budgetary deficit, because we hold this as a sign for economic leaders, in fact for the whole society, that also in this connection we should think of the necessity and the conditions for more successful and organized work.

We have reason for confidence because we have in our hands the possibility for creating a permanent economic balance: if we increase economic production and foreign trade, force out uneconomic production, and our products are competitive, at world level, and economically marketable to a greater degree than today. To do this, we need to raise the technical level of production, modernize manufacturing technology, and substantially increase productivity.

Investment decisions merit special attention from this aspect. We need a strict priority ranking for possible ideas, which is not easy to do. We must at once be assured that future energy and raw material needs will be met, that the long-neglected infrastructure will be substantially improved, and at the same time assure a rapid structural change in foreign trade sales to make our participation in international work specialization more economical. Only economy can be the guide to how we assign priorities.

[Question] There is always a reserve in the state budget. What is this used for and what criteria are employed? How can we interpret the reserve when the balance of the annual budget is negative, that is, the planned expenditures already exceed receipts?

[Answer] We are striving to put together a realistic budget. Experiences, however, show that we cannot foresee everything. There are certain costs which we cannot plan exactly. Certain investments may cost more than we estimated. If agricultural production is poor, we must make it up possibly from more expensive imports. But if production turns out much better than estimated, it is possible we will have to give special subsidies for harvesting the surplus and for organizing deliveries. We must also allow some possibilities for a very favorable industrial innovation of great importance, and for technical modernization. Frequently, the reserves are needed for good buys, or sometimes for an investment that must be rapidly completed. Many more people took advantage of child care assistance than we had assumed and this, too, was an unexpected expense for the budget (and the cause of a drop in production).

Practice has given us great experience in the prior assessment of uncertainty, the "planning" for a degree of unexpected events. A budget which left these out of consideration would not be realistic because every unexpected event would increase the deficit. The planning of reserves is possible when despite the money demand caused by unexpected and unavoidable events, the deficit remains by and large no greater than planned.

We must state, however, that the reserve is regularly smaller than what is actually needed. In 1977, for example, it is 1.5 billion forints, altogether 0.4 percent of expenditures. This is not too much. Our budgetary management is not indulged in this regard. We have to delay certain justified decisions at times to avoid an increase in the deficit. But the councils and enterprises also have reserves available, the lowest permissible level of which is prescribed. In this way, we can share the burden of extremely severe happenings.

[Question] Please review briefly our social policy and educational policy — from the viewpoint of the Ministry of Finance. To mention only a few major groups, what was the trend in the development of expenses for health, pensions, training and education. And are these forecasts of their necessary and possible increase for the period affecting long-range planning?

[Answer] An overview conducted from financial signs is a bit one-sided since quantitative changes reflect only partly the quality transformations of our life. In 1950, the budget devoted 20 billion forints for social and cultural goals, and in 1976 a total of 85 billion. I think that this in itself shows a great deal has happened in the past 25 years. Social allowances have increased twice as fast as income for work. Today, one-third of the population's income is in the form of allowances. This expresses the effort of our income policy to reduce the living standard differences of families while the income differences stemming from work is increasing as a function of accomplishments.

The basic principles and directions of social and educational policy are fixed by state administration positions, decisions and law; to mention only the latter category — health, social security, youth and educational laws. The Ministry of Finance, in cooperation with the National Planning Office and the appropriate branch ministers — surveys the material requirements for realizing social policy decisions, and with their recommendations they seek to create a harmony between economic possibilities and a realistic pace for these programs. This is often by no means an easy task because despite the fact that for a long time the expenditures for these goals have been growing substantially faster than the national income, the results are not in all cases sufficient as compared to need.

In 1976, we provided 32 billion forints for pensions, 6 times more than 15 years ago. We have gradually extended the pension system to every layer of society, and today 17 percent of the population is on pensions. More than 10 percent of the population's total income derives from pensions, while 15 years ago it was only 5 percent. Five years ago, when price movements picked up, we introduced an automatic pension-escalation system. We maintain at present more than 30,000 places in social homes and 16,000 places in day homes to care for the elderly. In many families there is no wage earner, only a pensioner. Among these families there is a large number — those whose earnings were low before retiring — who are still living on very little money. Although recently we have raised low pensions a number of times, the living circumstances of the very old and of pensioners living alone are very difficult. I regard this as the greatest debt owed by our social policy.

Parents are at present receiving family allowances for raising 1.8 million children, which is 17 percent of the population. In 1976, we paid out 7 billion forints in family allowances, 5 times more than 15 years ago, and this raised the total income of families with two or more children by almost 10 percent. The family allowance for one child also increased significantly, having doubled in the past 10 years. At the same time, we also increased the number of places in children's institutions, and since 1971 we have not changed the fees paid by parents. At present, about 30 percent of the costs are paid by families as differentiated by income and the number of children. All this still does not solve the living standard problems of families with many children. The per capita income of these families is still low; their housing conditions are poor in many cases, and they cannot be expected to solve these difficulties from their own resources. Their living conditions are in general more difficult, and therefore the advanced education ratio of children from large families is lower.

Ten years ago, we introduced child-care assistance. In the first year, this represented an expenditure of one half billion forints; today it has risen to 3.5 billion because we have increased the payments, but particularly because today 300,000 mothers use this assistance. And although this undertaking is valued by all our society — I should observe that this solution is almost unique in the world — we also know that a mother does not always have the opportunity to choose whether she will raise her child at home or put it in

a nursery while she is working because there are not enough nurseries, although the number of nursery places was increased ninefold from 1950 and doubled from 1960.

We consider it a great step forward that today the law secures health care for every citizen. In 1976, we paid more than 9 billion forints from the state budget for medical, hospital and clinical provisions; this is 3 times greater than it was 15 years ago. In addition, we supported the provision of medical supplies with 5 billion forints. Despite these large sums, we still cannot secure at an adequate level the facilities in child birth divisions; in international comparison, the death rate of children under the age of 1 year is high in Hungary; for some illnesses there is a long wait before the patient can be admitted to a hospital.

Thus I believe all in all our social policy has significantly levelled the differences of living standards among families in that social allowances have increased faster than income from work. But the differences are still considerable, and therefore over the long range the continuation of this line is still necessary. According to prognoses, the ratio of social allowances in the population's income will continue to increase from 30 percent to 40 percent over 10-15 years. It may appear as a contradiction when I say that we want to increase the ratio of social allowances while we would like to strengthen income differentiation according to work. I am convinced that distribution according to work can be actually stronger only if living standard differences because of family sizes are reduced. In the future, we will need to pay more attention to the consequences of demographic waves when expanding places in nurseries, schools and colleges. In making our long-range plans, we must consider something of which we still do not know enough: How will our manner of life be transformed?

We are also devoting significant sums in the state budget to the realization of education policy goals, a total of 23 billion forints, or almost 4 times as much as 15 years ago. Our educational institutions are supporting learning to a considerable degree. In one educational year, they account for state support of 4,600 forints for every general school student, 8,400 forints for trade students, 9,100 forints for middle school students and 33,000 forints for university students. Educational allowances have reached 3.7 percent of the population's total income.

To raise the political, trade and general education of the workers, our society intensified its efforts to improve the network of public educational institutions and widen their sphere of influence. Those who use cultural services are also enjoying state support. The subsidy on an opera ticket is 70 forints, on a theater ticket 40 forints. Books are sold at 30 forints less on the average.

We are unable to satisfy every demand in training, public education, and scientific areas; and it is not easy to rank the tasks by priorities. Differences of level among schools are still very great. The number of places in student dormitories for vocational training students is still extremely

small. Our vocational training does not take adequate account of our perspective need for skilled tradesmen, and thus there is a shortage in certain areas for trained workers, while in other areas young people fail to obtain tasks and jobs appropriate to their training. We are familiar with discussions on the lack of use to which culture homes are put. We are giving little attention to the development of mass sports. These things signify that we do not always manage rationally and economically the resources that are available.

It is not enough to speak of how much we spend on our social policy goals. We also need to study whether we choose the goals well and have recourse to economic solutions. Our financial organs always keep these questions alive and promote their circulation in public opinion; but only the managing organs, enterprises and institutions can turn them into reality. In certain areas, experiences in the strength of social unity are very favorable, which can help a great deal in the realization of social policy goals.

[Question] In recent times, the bank depositor does not, in essence, receive interest -- it is "taken away" by the decline in the purchasing power of the forint. But savings are still not declining. I believe that while formerly the effect of compulsory savings was strong in increasing the volume of deposits (because of the narrow goods base there was nothing to buy), more recently a different kind of "compulsory" savings is taking place. And this is because the use for money is limited. Let us look at the problem of what becomes of savings from high income in wages. In principle, what can one do and practice what does one do who has a house, summer home and automobile -- but as a consequence of his family and income relations his budget still closes out with strong surpluses?

[Answer] We are speaking here, are we not, of incomes from work? For now, we feel that this problem affects a narrow circle of people, and is not a social problem. If there were an excessive amount of unspent income from work, we would have to consider whether the income distribution ratios are good and whether we ought to be thinking of better distribution or a stronger taxation of large incomes. But this is not the situation today. A good portion of families are saving for a house, vacation home, travel, a car, or durable consumer items. According to one survey, one third of all savings deposits is laid aside to buy or build a home, one fifth for a car, one tenth for children, 10-15 percent for a lot, summer home, or week-end home. The survey has been repeated a number of times. Changes in the goal of savings are interesting. There is a rapid increase in the ratio of savings for summer homes, travel and recreation; and there is a strong decline in savings for a goal which the depositor has not decided on beforehand. This also shows that money savings still has its place in the bulk of households. There are many who want to provide their children with a house. They are very few in number who already have everything and have no concern except for what to do with the money they saved. In such cases, the problem is often caused by low requirements, the lack of inclination to use their opportunities, their money. The solution in these instances can be, or could be, a more demanding way of life for their family, more travel, and more culture.

It is well known that in recent years the stores have been showing expensive fur coats, jewelry, eating utensils of precious metal, and furniture at astronomical prices in the eyes of those of average incomes. Our public opinion has reacted rather strongly, objects to it, and sees these things as a mockery of a way of life and goals. This is also food for thought.

We do not consider — it would not be compatible with our social system — making it possible to "invest" the money savings in some kind of business. Nor would we consider it proper if a family had more than one summer home, or one house. With these actions they would reduce the chances, the acquisition possibilities, of those who do not have any at all as yet. I believe, however, that in any event we must provide a way for the spending of very high, but legal, incomes, that there should be goods for that purpose. With the general rise in living standards, we should also apparently consider providing recreation and services of a substantially higher level. We must continue to devote a greater portion of the national income to this purpose.

I would like to return to the introduction of this problem. I would debate little with the assertion that "the bank depositor does not, in essence, receive interest" because of the decline in the purchasing power of the forint. It is well known that the purchasing structure, which serves as a basis for calculating the consumer price index, varies from the purchasing structure for which the regular depositors save and spend. It is also true that anyone who saved, for example, for a house or building has been afflicted in recent years by the increase in prices for houses and construction costs. But if someone took a loan for a house or building, he is repaying his debt with increasingly "cheaper" money over the years. If others, however, kept their money in deposit for a car or other durable item, only some of them were deprived of interest on their deposit by a price increase, because on these items the prices remained unchanged for years. We can also observe that — and this is borne out by the lasting confidence in the forint — people are not too involved with acquiring precious metals. We find little "treasure buying" parallel with the fact that in recent years the price index was less stable. As compared to the volume of deposits, the total auction purchases of art objects or jewel trade is not significant.

Hence, what we consider as permanently characteristic and determining is that with the increase of 8-10 billion forints in deposits, the society's good economic feeling is being expressed and the confidence which obligates us to pursue a responsible policy.

[Question] One of the "discoveries" of Hungary's discovery series — at least the sociographies made it known — was that in some villages of our country producer cooperatives were not established and peasant farming remained in effect because the poor production endowments of the locality made agrarian management uneconomical. And still, the peasants of these villages have to pay land and income tax. The proprietors of family houses with little value pay a higher residence tax than their rent would be if a house were not their property, and they did not have to maintain it. House trailers with a relatively small value are taxed much more heavily, for example, than summer

homes, and that can come to millions in value; as if it were a greater luxury to pass the summer on wheels than in a fixed habitation. Sailing boats, which do not pollute air and water, come under a higher tax category than motor boats. However, if you have a sail boat for racing, your vessel is tax-free; here, therefore, competitive sport is sanctioned as having a higher social value than sport that is "only" interested in recreation and restoring work capability.

I do not bring up the foregoing so that I can be recruited as a "defense attorney: for one social group or another — although at times this would not be unjustified. The problem for me is, and this was touched on also by the preceding problem, the following: According to what basic principles shall we conduct the taxation of citizens and the population? Beyond the foregoing, we could also study other, more problematical, phenomena. In taxation, should we not take as the base the family income, the per capita family income instead of personal income? And similarly, in regard to the limitation on the extent of property, the present extent appears antisocial and contradictory to our demographic goals when we do not take into account family size, particularly the number of children.

Since the world was a world, people do not like to pay taxes. What goals are served in Hungary by the direct taxes and fees paid by citizens? An economic one — and hence does the budget have a need for this source of receipts? Or a social political one — and hence is the reduction of income and property differences the basic goal? What is the weight of taxes from the population in state receipts? And included therein, how much comes from the different taxes and how much from real estate transfer and inheritance fees?

[Answer] Altogether 2-3 percent of state budgetary receipts come from taxes on the population and from fees, and therefore we can state with assurance that it is not on these that the budget rests, but first of all it has a social political meaning — it is called on to moderate income differences and property differences. But neither do I want to underrate a sum of money that is over 8 billion. This is the amount which the local councils have available, and this not a negligible portion of their budgets or of the common social expenditures covered thereby. To mention only one example, the owners of vehicles pay 1 billion forints in vehicle taxes. But the councils devote 3 billion forints to road repair or building. Moreover, we use large sums for the roads also from central sources. Vehicle taxes do not cover road repair costs, but without taxes the roads would be worse.

The income differences of the population are reduced by the income tax, which is not placed on incomes from the work relation and cooperative membership. Wages and payments are so differentiated as to make the payment of such taxes unnecessary. It is paid, therefore, primarily by small industrialists, private dealers (altogether 1.1 billion), small agricultural producers (700 million), and those who perform independent intellectual activity (250 million forints), a total of 110,000 persons, or scarcely more than 2 percent of the earners. Small service industrialists and private dealers who conduct their activity in unprovided for areas, do not pay taxes in order to promote the revival of services which have disappeared in the villages.

Various taxes are called on to reduce property differences: the real estate purchase fee (close to 1 billion in the past year); the gift and inheritance fee (about 300 million) and the house value tax (which altogether was 10 million forints). I do not dispute the possibility that in some individual instances the tax authorities do not proceed according to the principles, and they commit mistakes. Still I would like to say I feel that such individual mistakes are more publicized than those principles — correct, in my opinion — which define taxation on property differences. The ending of the old inequalities does not result in the creation of a new equality. In the spirit of socialist principles, we must still be active here. The tax system does not have the major role in this, but we must undertake our own share as well.

Seventy nine percent of taxes on taxable objects of property are paid on vehicles, 18 percent on houses, 1.5 percent on recreation sites, and 0.5 percent on water vehicles. These ratios indicate that certain complaints are exaggerated. Without going into details, I must state that, in general, I do not consider these complaints as justified. I see thereby that we have much to do in order that public opinion should understand it as justifiable when we want a contribution to the public obligation and when we design the population's taxes a significant role in the reduction of property and income differences. In addition, it is obvious that we must improve the work of the tax apparatus, and this is not easy. At one time, this was regarded as a good occupation. But today it does not count as such.

I also acknowledge that the system of taxation on the population has problems of principle. It is also a fact that the taxes do not take into account family size. It is true, on the other hand, that social allowances serve to even out "social injustice" deriving from family size differences. Let us look at the advantages of taxation on family income, but for the present let us not regard it as clearly shown that it will assure a more correct and equal distribution than the present system. The greatest concern is still the taxation on incomes which do not derive from wages and payments, and in many cases not even from work. But to "catch" this income, to establish its real extent, would not be made easier by taxing actual income. Therefore, we must study the problem further before we can propose a new personal income tax system.

[Question] What is your opinion of the bureaucracy? This question, of course, is meant to be provocative. Because there are many who see the explanation for the very high ratio of administrative personnel, prolonged procedures, and many other concerns in the complexity of financial processes, in the mass of money-management statements, and in the excessively detailed controls, and chiefly in the mass of decrees, directives and prescriptions even for specialists, and in their "heavy" bulk. Would it not be better to look at the final results of the activities by plants and institutions, the final total of their accounts, the balance, and be less occupied with a thousand entries and columns, sometimes down to the last filler? Can we regard it as attainable that in the future more decrees will lose their validity than are created?

[Answer] Naturally, there is no one who will avow that "I am a believer in bureaucracy!" And still there is a bureaucracy. My judgment is, therefore, not important, for it is natural that I will condemn it. But the question is whether we know where and what the bureaucracy is, and can we do anything about it, and what.

The keeping of records is indispensable for organized work, the analyses of circumstances, the evaluation of interrelationships, and control. But if we do this for itself without making it, in fact, serve analysis and evaluation, and only verify that something happened at all, then this is a bureaucracy. If it handles matters listlessly, only looking at and multiplying papers, but without looking at people or using reason, then this is a bureaucracy.

Unfortunately, there is still a great deal of excessive record keeping; and a complicated bureaucratic handling of affairs is common. In fact, it appears to have increased in recent years. Among the factors that evoke a bureaucracy are: excessively detailed guidance, an effort to pass on responsibility, weak organization, lack of understanding, irresponsibility, and a disinterest in the concerns of others. It is primarily with the elimination of these factors that we can expect a substantial change in the extent of the bureaucracy.

Certain results can also be achieved by symptomatic treatment. First of all, of course, we must study the requirements of central record keeping. We have already begun this, and we have simplified numerous statistical, bookkeeping and accounting duties, and some we have eliminated. We do not regard this work as finished; we are studying our statutory provisions on the basis of a plan that has been worked out. We are proceeding, I believe, on a good course in population taxation and its affairs; in the past 1-2 years we have taken various steps toward simplification, and we expect to do more.

Reduction in personnel within the bureaucracy can also contribute to simplification because enterprises and institutions have to study their own systems if they want to do their tasks with fewer people. The use of computers and other office technical means is rapidly spreading in accounting, statistics and economic analyses. For the time being, this will not reduce work, but once we learn their use and a systems outlook becomes more general, the procedures will be simplified and we will need substantially less manual work. Despite all this, I do not think that we will ever be able to dispense with filler accuracy in financial accounting. There is no place for grand-scale procedures in accounting and auditing. But I emphasize an effort at accuracy does not bring on bureaucracy, rather an excessive complexity of affairs and records.

Excessive regulation and central prescription of detailed duties are accompanied by an extremely large number of decrees. It is again being strongly recognized in the government that we are restraining the initiative of enterprises and cooperatives and increasing the size of the bureaucracy by excessively detailed regulation. Therefore, we are making a stronger effort than in the recent past to strengthen the general nature of regulation and leave the details to those who carry them out.

But speaking of bureaucracy, let us not forget certain features and capabilities, or the lack thereof. For example, organizational culture. In Hungary, we smile at those countries where two persons on arriving at a bus stop immediately line up according to who arrived first. This smile costs us a lot. It is costly when a self-understood sense of organization, which part of the blood, and the necessary feeling for developing it is, as it were, alien to us. It is true that excessive organization can also give birth to bureaucracy. But lack of organization and order in official, office and administrative work will cause much more irrational waste of time, and squander more energy than orderly work and an effort at accuracy.

At the same time, many of those who perform managerial and administrative work are short on understanding and qualification, their level of schooling is low, a good part without full middle-school education. This is also because in general the material and moral reward for administrative and office work is small.

[Question] It is the opinion of workers in enterprise management that the system of withholdings and enterprise taxes is so complicated and changeable today that it makes a proper evaluation of economic processes impossible: enterprises can at the best work out tactics for themselves, but not a strategy. Can we expect a simplification and stabilization of the withholding and enterprise tax systems?

[Answer] Enterprise management circumstances are indeed complicated and changeable, but in my opinion not only because of withholdings and taxes but because international commerce as a whole is developing in a very changeable way. I shall mention only several of the causes like the unprecedented rate of changes in products because of rapid technical development, a basic change in the role of developing countries in trade, the dollar crisis, the explosive price changes, and so on. These circumstances call for extremely flexible adaptation by the enterprises; an understanding of technical development, constant market research, orientation in price developments and currency values, etc. I do not maintain that this situation is simplified by the tax system, and in fact I know that at present it makes for more complicated circumstances.

But it must be seen that it is not a simple task to work out tax rules. Our enterprise withholding and tax system has a very short past. Prior to 1968 we withheld everything from the enterprises. This was in fact a more simple accounting system than the present one, only it excluded enterprise interest from the economy in their complicated and manifold activities. We created the present new withholding and tax system precisely in order to stimulate the enterprises to effective management of means — that is why we introduced the capital use tax; to provide an incentive for appropriate manpower management but at the same time maintain a flow of purchasing power appropriate to the plan; to provide a cover for social security costs — this is why we have a pay tax; to assure that the state budget, too, will share, in appropriate ratio, in produced net income and the enterprise sources develop in ratio with

profits — this is the goal of the profit tax; and to make it possible for the domestic price system to be relatively stable in case of a rapid change in foreign prices — this is the balancing role of price supports and production taxes.

Before economic guidance reform, we sought to work out these tasks with a broad range of plan indexes, but this did not lead to an adequate result. Now it is not the plan indexes that mediate national economic interests to the enterprises but tax and support rules. We are unfamiliar today with any other income regulation system which solves so many tasks so simply. It is possible, of course, that we would not have to make so many different withholding channels for these tasks. It is possible that the present financial regulation excessively simulates a plan-dismantling guidance, and therefore carries its own mistakes. We are considering the fact that we must reduce the number of withholding forms. That is why we are studying, for example, the possibility of eliminating the capital use tax. We want to reduce significantly, although not in a year or two, the production tax and supports. We, too, feel that one of the problems of taxation is that at present it is too complicated.

There is also no doubt that in the past 2-3 years the regulators have been changed frequently, and this is disturbing to the enterprises. But we think that these changes cause fewer problems than would have been the case if we had not limited the domestic effects of the runaway price changes on international markets and had permitted them to enter directly into the Hungarian economy. Presumably, it would have led to inflation, on one hand, to the sudden crash of certain enterprises, and to the excessive enrichment of others. In the final analysis, these effects can be seen in the economies of capitalist countries, where the budget was not used to counter world market price effects.

In part, this is what causes the changeability in the rules, but it does not contradict the fact that enterprises, and consumers, have a hard time realistically evaluating actual cost relations. Thus it hinders the frequently called for and desired structural transformation of production, foreign trade, and consumption alike. Therefore, we are, of course, striving gradually to simplify and stabilize the system of withholdings and supports, modernize prices so that they will all the better mirror actual value and cost relations.

The complexity and excessive changeability of the tax and support rules is also increased by the fact that we did not permit the principles of economic guidance reform to be consistently realized, and we interfered too often when losses or an excessively high profit appeared in an enterprise or branch balance. This was accompanied by the damaging consequence that an independent, fully responsible mode of thinking could not be developed. Instead, it was expected that local problems as well should be solved at the cost of central money funds. We frequently saw that when a concrete imbalance occurred they returned to old methods which had already proved to be wrong. In my opinion, we need to look forward, not backward. Instead of ad hoc interventions, we

need to look for new and more modern guidance systems. If we are now moving this way in small steps, we must not lose sight of the strategy, and we must adjust our steps thereto.

[Question] In socialist plan management, state "intervention" is an obvious element; first of all, this is what mediates the interests of society as a whole, to which the operation of the economy is subordinated. But since we have given up a rigid, plan-directed system for the present one of economic guidances making a broad use of economic-financial regulators, which are much more effective, regulation has at times become too complicated, and in fact it has become afunctional.

The kind of investments a state prefers, supports with credit or without repayment, is naturally decided on at numerous forums and organs. And still, all this "appears" in concrete processes in such a way that the Ministry of Finance "gives" the money -- and later they find out whether they put it in a good place or not.

What is your opinion, for example, of the unit costing of animal spaces established in agriculture with state support? Shall we study the returns in case of investments that are supported and those that are not -- although having the same goal and character? How can we fight the frequently evident "state milking cow" attitude and practice, or a kind of initiative that is evident only in obtaining the grant but does not extend to a fruitful use of the support?

[Answer] Investment decisions are made at many levels. The biggest investments are decided on individually by the Council of Ministers, for example, the construction of new power works, mine, fertilizer factory, sugar factory, meat combine, metro, etc. The right to decide on many investments belongs to the ministries, or the councils. Thus it is the appropriate ministries or councils who decide on the construction of electric energy network developments, road building, forestation, purchase of railroad vehicles, state housing construction, hospitals, schools, and research institutions within definite financial limits. Half of all investments consist of the foregoing. The remainder belongs to the enterprise or cooperative sphere of authority. If an enterprise plans an investment for which its own money is not sufficient, it may ask for state credit.

The government decides on the general conditions and goals of allocating credit and supports on basis of the economy's conception. The banks have a role in that they should choose properly among the enterprises meeting the given conditions and goals, and promote the realization of the most economic development concepts. The enterprises must repay the credits with interest within a definite period of time. We are imposing increasingly strict conditions also on enterprises whose investments we are supporting. There is no doubt, however, that no matter how strict the requirements, as long as it is possible to invest with "free" money, the enterprises will rationally try to acquire these. We can hardly object if someone wants to achieve greater results with the least effort. If there is a chance that the milk will come, naturally they will go

on milking the cow. We understand this, and therefore we are tightening control for the fulfillment of support conditions. This year we began extending supports as a tax rebate, and the enterprise can take an advance thereon in credit. This credit must, in any event, be repaid; but the tax rebate will be given only if they actually fulfilled those conditions which they agreed on at the awarding of the support. If these conditions are not met, the enterprises must repay the credit from their own resources. This is a very heavy requirement, but its consistent application will assure an actually effective use of state supports in accordance with plan, and enterprise requests for support only in cases of real need.

We have frequently seen — for example, in the case of animal facilities built with state support, and with industrial facilities as well — that the investment was in fact realized but the buildings and equipment were not used. We do not consider it to be the main problem that modern furnishings are more expensive than old. Remaining with the above-raised example, the per unit cost for animal space was increased and is a natural consequence of the fact that in livestock breeding we are today using important technologies, and because of the large-scale concentration the establishment of a livestock breeding facility may include roads, social premises, veterinary facilities, fertilizer sites, emergency slaughtering, help at animal births, fire-fighting facilities, and so on. The result is more expensive investments, but operations are substantially more modern and easy. But the problem is that these modern facilities are left unused, and hold fewer animals than capacity permits.

Sometimes a facility with excessively large capacity is built because they do not study the need and the economy of the solution, but seek for spectacular results. Showing off and provincialism are cousins. A narrow outlook and mode of thinking along with a desire to show off are still causing many problems and expenses for our economy.

We are attempting to restrain these efforts in the awarding of investment credits and supports and to see that control over investment resources does not end with the completion of the project, but is continued, and material sanctions and personal accountability results where use of the capacities that were established is not assured. It actually happens that more energy may be devoted to gaining supports than to their fruitful use, but I think this is becoming increasingly less frequent; not only because our methods of control are more effective and definite but also because the selection of economic leaders is more and more considered, the qualifications of our leaders better-founded and the realization of the responsibilities more consistent.

[Question] As I came to the ministry, across the Inner City, I was soaked in 10 minutes, and not only because of the rain. I shall, therefore, use this great opportunity to ask why the finance minister does not provide money for the improvement of rain pipes in Budapest? That is, for the maintenance of apartments and houses?

[Answer] That is a very good question. It gives me the chance to say, not as a complaint, but only for the sake of truth: It frequently happens that the Ministry of Finance is reproached in many forums, including Parliament, for "not giving money" for this or that since at year's end a considerable amount of money available for a purpose was left unused. In the case of repairs, where several billion forints were left unused in the Fourth Five-Year Plan, the reason was primarily the shortage in capacity and manpower, chiefly the shortage of highly qualified workers. It is more difficult to understand why considerable sums are left unused from year to year which were intended for health and training expenses, including, for example, the wages of health workers and of teachers. It was customary to say the people could not be found. But if someone already on the rolls had undertaken more, he could well have been given more. But caution and egalitarianism are more rational. It is also frequently said that large investments are not adequately prepared, and it is objected to that the sum allotted for this purpose is too trifling a fragment of the total investment. This criticism is just if the money allocated is actually spent for investment preparation. Naturally, I emphasize this because such money is often left over. All these, believe me, are savings of a kind that do not make the finance minister happy. It would be good to have those do the explaining who do not make use of the money opportunities given, or manage it poorly.

[Question] In conclusion, I would ask about yourself. First of all, the development of your career, your earlier areas of work. And how do you find escape from the world of money and figures. Do you have a hobby, a "preferred" kind of recreation?

[Answer] Formerly, leaders in our country showed very little of their personalities. Now, however, I see that interviews end with such or similar questions, and I regard this, too, as a formality. Well, when I say that I like to drive a car, I do not add that at times my thoughts return to the financial labyrinths, but fortunately up to now nothing adverse has happened. When I say that in my intellectual exhaustion I relax with reading poetry, it does not make clear whom I identify with and what kind of poetry I read.

But if the character of this series calls for it, I can easily summarize. During the war, I was employed at the Central Tax Office; I cannot say that I began working then and there because it was a period toward the end of the war and a time for the struggle to survive. I came to my present place of work 3 decades ago when they needed me on the soccer team of the Ministry of Finance. Then this "transfer" turned out to be permanent. I was everything a man could be, I went through every gradation. I was a bookkeeper, I worked in area cost projections and on the affairs of local industrial enterprises; for a time I taught fields of expertise; I was an accounting chief at the budgetary department; when the new guidance system was being developed, I was head of the economic and budgetary department; as a deputy minister, I was responsible for budgetary, social and cultural affairs.

But I believe that public opinion is interested primarily in how one member of a collectively working government thinks about important affairs of the country and society, what efforts lead him, in his own area of specialty, to their solution. I hope that my answers — thanks to you — have adequately shown my concepts and their essence. Perhaps we have fulfilled the appropriate norm of the old philosophers: "No greater profit can come from question and answer than that we clearly see what we knew before and that we can only arrive at such understanding as was already in us in germ form!"

6691

CSO : 2500

HUNGARY

BANK ISSUES QUARTERLY REPORT ON CREDITS, MONEY CIRCULATION

Budapest FIGYELO in Hungarian 25 May 77 p 4

[Article: "Credit and Money Management"]

[Text] The financial situation of enterprises and cooperatives in the first quarter of the year varied by branch and time, but was satisfactory in its entirety. This is indicated by the rise in sight drafts and various special deposits, the volume of which was 19 percent higher than last year. The expansion in capital use became stronger in the second part of the period than the formation of resources, and therefore the demand for circulating fund credits increased as compared to the year before.

Circulating Fund Credit

In January-March, the managing organs put in to the bank for 7 percent more circulating fund credits than last year, while the licensed amount rose by 8 percent. The economic justification for the credit requests did not improve in their numerical preparation, and this was expressed in the fact that the bank had to reject about 9 percent of the proposals in order to reduce the money demand to a realistic level.

Of the circulating fund credits which were licensed, 66 billion forints were for new relations and 4 billion forints were for contract renewal. The industrial branches, including the construction industry, took 52 percent of the licensed credits, agriculture 25 percent, commerce and the non-producing branches 23 percent.

Eighty-nine percent of the approvals were for short-term credit and 11 percent for medium-term, circulating fund advances. The term credits provide financial cover in one third and one third ratios for the purchase of basic materials and goods, or the financing of capital obligated in unfinished production. Twenty eight percent of the credits serve for temporary supplement of resources; credit license in case of realization difficulties are negligible.

The expiration time for short-term credits increased this year, while the ratio of repayments undertaken within the quarter is still relatively high

— 63 percent of the licensed term credits. A significant portion of the medium-term, circulating fund credits may be repaid in price receipts, and this is the reason that more than 60 percent of such loans extended in the first quarter are due within one year.

In the past 3 months, the demand for all types of circulating fund credits was 10-15 percent below the permitted level. This unused portion, as in the year before, is a cover for continuing expenses as they arise, chiefly in the food economy and the building industry. The enterprises and cooperatives paid back 94 percent of their credit obligations by the deadline, a more favorable ratio than in the same period a year ago.

A negotiating surplus characterized the movement of circulating fund credits in the first quarter of the year; the stock of credits increased by 9 percent (a year ago it was 11 percent) over the year's beginning, primarily in agriculture, the construction industry, and the light industry. In agriculture, the expenditures necessary for smooth production and the further advance of cost-intensive production systems raised the demand for credits beyond the usual seasonal effects. In the construction industry, the price receipts failed to follow the increase in production this year as well; and by March almost every building enterprise had established credit relations with the bank. In the light industry it was chiefly a delay in import purchases that increased credit demand. In contrast to the foregoing, there were opportunities for credit repayment in the food industry and in commerce where sales were accompanied by declining inventories.

Investment Credits

Applications for credit investments from state enterprises and farms were about the same, in total, as for the same period a year ago (they exceeded 9 billion forints). Licensed credits in the aforementioned sphere amounted to 5.3 billion forints, about three fourths of what it was a year ago. The average credit amount per development declined this year to scarcely more than a half of what it was last year. In agriculture, to be sure, there were numerous, relatively small credit extensions. At the same time last year in certain industrial branches there were unprecedentedly large credits for expanding the development of the export goods base. All this was expressed in the moderation of the average credit volume.

Seventy percent of all licenses were for industrial branches and 10 percent for state farms. During the quarter, the agricultural producer cooperatives applied for almost 1 billion forints' worth of investment credits, and the approved sum was double last year's.

The decisive portion (76 percent) of credit extension obligation undertakings were to promote an increase in the export goods base. The demand for these credits has not declined this year, and bank credits represent about 60 percent of the sources for establishing capacities to produce economically marketable products.

The economic indexes have improved as compared to the same period for the preceding year. At state enterprises and farms, the profit per 100 forints of money value was 15 percent in the case of developments realized with medium-term special credits, and 21 percent in the case of long-term credits; the former is lower than it was a year ago, and the latter higher. This index reaches the level set as a cover for credit extension in every branch of the economy. The average term for licensed credits decreased in comparison to the year before: in the case of medium-term credits from 54 to 51 months, and long-term credits from 120 to 96 months.

The total stock of enterprise and cooperative investment credit declined by 0.8 billion forints as compared to the year's beginning, since in contrast to credit extensions in the past period, repayments were in preponderance.

The population's cash receipts from the socialist sector in the first quarter expanded at a rate considerably exceeding last year's, and the greater purchasing power was taken up by retail trade to a degree similar to the year preceding. Cash circulating in trade increased more strongly, savings deposits more moderately than in the same period a year ago.

The Population's Receipts and Purchases

The population's cash receipts exceeded by 10 (last year it was 2) percent those of the year before; and within the total receipts, wages rose generally as planned while receipts relating to agricultural production — chiefly as a result of brisker purchases — rose to an extent exceeding the plan. Cash receipts, by major sources, developed as follows: wages and other personal income 54 percent, agricultural income 17 percent, financial social allowances 19 percent, and others 10 percent. Significant changes are not evident as compared to the previous year.

Cash wages (excluding those for agricultural producer cooperative employees) increased by 6 percent as compared to the same period a year ago, primarily in relation to a rise in work accomplishment. Some of the enterprises carried out retroactive wage increases, based on more favorable achievements. Other personal income was lower than a year ago; the managing organs turned more of taxed profits to the expansion of means and created smaller share funds than a year ago.

The population's cash receipts relating to agricultural production grew 16 percent, which derived chiefly from a 31 percent increase as compared to the low level of product marketing (purchasing) in the year before. Payments deriving from this year's wage fund increased 13 percent, whereas the supplementary share in the final account was lower than last year in relation to last year's poorer production results in certain types of crops.

The increase in cash social allowances was 15 percent, and their ratio in total receipts did not change.

Cash sales of retail goods in the first quarter was 10 (last year 6) percent higher than in the same period the year before. The rate of increase, which exceeded last year's — despite the higher price index for the target — is related primarily to a stronger circulation of the population's receipts. The use of purchasing power, despite a goods selection that was not always satisfactory, did not change in comparison to earlier periods — from every 100 forints of receipts the population used 67.86 (last year 67.83) forints for cash purchase of goods. At the same time, the ratio of receipts used for savings deposits decreased from 7.53 to 6.30 forints. The increase of cashe in trade, which is stronger than a year ago, indicates the will to buy.

6691

CSO : 2500

HUNGARY

PRODUCTION OF REAL DENIM TO BEGIN

Budapest HETFOI HIRLAP in Hungarian 23 May 77 pp 1, 3

A new more effective method is being initiated--according to license--in place of the present assembly line system at the Debrecen Clothing Factory. Mrs Jozsef Hajmasi, deputy managing director, told HETFOI HIRLAP that new demands for quality and fast changing styles cannot be met by the present labor force which cannot be expanded anymore--and its machinery. For this reason, they bought the West German RAWE firm's work assembly process and signed a 5-year cooperative agreement.

The Main Features of the New Process:

The assembly line will be discontinued. In the workshop three large collectives working side by side will produce several colors and styles of clothing at the same time. One group will be producing pockets, belts, collars and various decorative elements; the other will sew the main pieces of the clothing; the third will assemble the item, and line it. The work will be organized so that no one will have to wait on another, nor will he have to make unnecessary movements. As the women say, "everything comes to hand." Since more than one thing is worked on the work is more varied. The individual norm will be discontinued. The wages will be based on the entire collective's production and evenly distributed to each group and will be quite a bit higher since the output will grow significantly. The wages of the workers will be about 400 forints more. To this is also added the sliding wage scale which will be given to the groups half on the basis of extra output and half on the basis of good quality.

What Were the Results of the First Experiment?

Since last October 100 individuals have been working according to the new method. In the first month, production increased by 6 percent and by an additional 10 percent in the second. We took 2,600 measurements during the experiment and discovered that the operations could be reduced and simplified by 30 percent. This further increased productivity. Of course the work of production managers, foremen and technicians increased considerably. Soon the whole central plant with 600 workers will switch to the new work system.

Already this year, the Debrecen Clothing Factory is producing 3,000,000 dresses, pants, skirts, and coats. Of these, 1,000,000 are for the domestic market and the rest for export.

What Kind of New Items Are Promised the Public?

We began the experimental manufacture of genuine denims. The Szeged Hemp Processing and Weaving Plant is producing the basic material for us based on American technology. We will be producing dresses, skirts and pants in denim blue, white and khaki. The first larger series will be less expensive than the private market prices and will be available in stores by this summer.

CSO: 2500

ROMANIA

POLITICAL EDUCATION IMPORTANT FOR ECONOMIC SUCCESS OF COOPERATIVES

Bucharest AGRICULTURA SOCIALISTA in Romanian 21 May 77 p 11

/Article by Alexandru Dinulescu, member of the Bureau of the Executive Committee of the Central Union of Consumer Cooperatives/

/Text/ The program of ideological activity worked out by the Romanian Communist Party Central Committee Plenum of November 1971 as well as the Code of principles and standards of life and work of communists and of socialist ethics and equity are overwhelmingly important documents adopted and approved by the 11th party congress, which decided that these should be components in the party program to create the multilaterally developed socialist society and direct Romania toward communism.

Special successes have been obtained in all areas of Romania's political, economic, social and cultural life by consistently implementing the ideological program and by intensifying political, ideological and cultural-educational work.

Proving this are the particularly high rates of development of Romania's economy, the remarkable results illustrated by the fulfillment of the provisions of the 1971-1975 five-year plan ahead of schedule, the surge with which the tasks of the 1976-1980 five-year plan of the scientific-technical revolution are being fulfilled, the continued rise in the working people's material well being and the prestige Romania is enjoying in the world.

With its 7.6 million members, the Consumer Cooperative, a member of the Front of Socialist Unity, has particularly important tasks in the broad activity of the prospering of the Romanian village, of intensification in the exchange of goods between village and city, of satisfying the demands of the population for goods and services, of better utilization of agricultural products, contributing through its activity to strengthening the alliance between the working class and the peasantry and to continually broadening and improving the material-technical base.

The Central Union of Consumer Cooperatives Executive Committee has directed its attention particularly to the way in which the collective leadership and control organs, to which more than 150,000 cooperative members are elected, are fulfilling their duties in order to implement these tasks.

The regularly held meetings of cooperative members and plenums of the councils and executive bureaus of the organizations and enterprises of the consumer cooperative are means of communist education of the masses in order to draw them to the leadership of the units and to solving the problems connected with fulfilling the plan tasks. The decisions of the 11th party congress and provisions of the Code of principles and standards of work and life of communists and of socialist ethics and equity have been the subject of broad discussion with all workers and members of the consumer cooperative organizations.

An important contribution to educating the population and to increasing its socialist consciousness has been made by the consumer cooperative organizations and by dissemination of political-ideological and technical-scientific books and novels by the press. Many books in Romanian and in the languages of the coinhabiting nationalities have been sold by the 2,200 book stores and specialized departments and by broadcasting and loudspeaker points.

The Central Union of Consumer Cooperatives Executive Committee has adopted a broad program which provides for carrying out constant activity to develop the socialist consciousness of the workers and cooperative members.

Special emphasis in this program is being placed on the well-founded organization of work to fulfill the plan tasks, strengthen the sense of responsibility and the aid which the higher organs give to the basic link--the consumer cooperative.

The program provides for the organization and holding of ordinary meetings of the councils and executive bureaus of the cooperatives with strict regularity, meetings which must be well prepared with the agenda and date they are to be held to be communicated to all members of the collective organs in leadership in time.

In conformity with the provisions of this program, speeches are made on party and state domestic and foreign policy and problems are discussed regarding the defense and development of the public wealth, problems of ethics, changing and combatting the backward manifestations of some workers; conferences are worked out on the activity of the consumer cooperative which will be presented both in meetings with cooperative members as well as in the cultural halls with the entire population of the villages; cultural-artistic activity of Romania's workers is being developed, reaching

more than 120 formations with about 2,500 workers from the consumer cooperatives. Taking into account the specific nature and territorial spread of our units, special emphasis is being placed on the organization of artistic agitation brigades, through whose repertory the successes obtained by the Romanian people in the country's social-economic development and the achievements of the consumer cooperative are to be popularized, at the same time satirizing the lacks, the negative attitude of some workers and units with a view to forming a powerful and intransigent mass opinion against any such manifestations.

An important role in training the youth from the consumer cooperative schools belongs to the concern with forming them in the spirit of the Romanian party's concept of the world and life and with creating really new cadres capable of handling the increasingly larger demands of our society.

Also, the action of advanced training, which includes all leadership cadres and the great majority of workers from our units, aims not only at freshening and improving their vocational knowledge but also at raising their level of political-ideological training.

In the spirit of the provisions of the Code of principles and standards of work and life of communists and of socialist ethics and equity, which require steady improvement in vocational and specialized training and continual enrichment of the cultural-scientific horizon, instructive meetings are organized monthly with the presidents of the consumer cooperatives, occasions on which an analysis of fulfillment of the plan tasks is made and speeches on various subjects of the cooperative's activity are presented. This is similar to the quarterly procedure with the head accountants from the consumer cooperatives. These instructions aim at increasing responsibility for the most efficient management of the resources entrusted to them, intensification of the actions against waste of any kind, negligence in keeping and administering goods and all demonstrations of wasting the public wealth. On this occasion discussions are organized and exchanges of experience are carried out with a view to knowing and generalizing good methods in various areas of activity.

Members of leadership councils, the auditing commissions and other cooperative members must be consulted on the way in which the managers and other workers are behaving, with discussions organized to make a record of those with good behavior or to combat backward manifestations.

Also toward the goal of fulfilling the tasks provided in the program of measures, it is necessary to take action more insistently to ensure an increase in the number of members and receive the social fund, to improve guidance and control activity and

the work style and methods of the leadership organs with a view to fulfilling the economic-financial and organizational tasks and to deepen and enrich mass educational work.

Parallel with its own activity the consumer cooperative annually contributes large funds and materials to the actions for bringing culture to the masses through the cultural halls, with each cooperative allocating a certain portion of the annual profit to the cultural halls and sports associations.

Making the principles and standard of socialist ethics and equity take root more and more strongly in practice, combatting backward mentalities and practices, transforming the workers of the consumer cooperative into progressive people resolved to devote all their energy and creative ability to the cause of socialism are especially important tasks of the organizations of leadership of the consumer cooperative organizations. No effort should be spared to fulfill them.

8071

CSO: 2700

ROMANIA

JOB TRAINING PLANNED FOR ALL COOPERATIVE WORKERS

Bucharest AGRICULTURA SOCIALISTA in Romanian 9 Apr 77 p 7

[Article by Gheorghe Cristea, deputy director of the Directorate for Organization, Control, Personnel and Training in the Central Union on Consumer Cooperatives: "Workers' Training - In Step With Current Demands"]

[Text] The application of the new organizational structure in the Central Union of Consumer Cooperative system and the creation of the 2,830 consumer cooperatives make it necessary to resolve certain problems, including improving the political and professional composition of the cadre who lead and work in this system and ensuring the appropriate conditions for the continuing improvement of their qualifications. For these reasons, we have accorded special attention to the selection of cadre who will be entrusted with the position of president or chief accountant at the consumer cooperatives. We have oriented ourselves towards hardworking people with good political-ideological and professional training who are devoted to the policies of our party and receptive to new things, have a developed organizational spirit and a healthy moral profile, are well known by the members of the cooperative, and who enjoy the trust and respect of these members.

In order to come to the aid of the leadership cadre in the communal consumer cooperatives, who are now confronted, at the start of their activities under the new organizational conditions, with numerous problems of an economic, juridic, administrative nature, the Executive Committee of CENTROCOOP organized in January of this year, in 19 inter-county centers, instructional courses for 1,797 cooperative presidents and 1,555 chief accountants. At the time these courses were held, I kept track of many of the proposals made by the participants: organize some periodic training sessions at the county level, especially for those cadre who do not have much experience in the position of president or chief accountant of the consumer cooperative; ensure the cooperatives get copies of the normative acts in effect (or extracts of these acts) which regulate cooperative activities and copies of the price catalogues covering public food prices, and so forth.

We are looking into both the satisfaction of these fully justified demands and the provision of training, through CEPECOOP, for those presidents and chief accountants at the communal consumer cooperatives who, for whatever reason, did not participate in the above-mentioned training. Certainly, the training that we have referred to above represents only a beginning which must be continued on the county level so that, in the shortest time possible, we can give the necessary training to all the personnel of the consumer cooperatives.

Keeping in mind the complexity of the problems that are currently being raised in the activities of the communal consumer cooperatives, as well as the fact that a portion of the leadership cadre do not have sufficient experience in consumer cooperatives, on 7 February 1977, a meeting of the Bureau of the Executive Committee of CENTROCOOP decided upon a complex series of measures, including a two day monthly session organized by the county unions of consumer cooperatives both to profoundly and operatively analyze the manner in which the previous month's plan was fulfilled by each cooperative, each unit, and so forth, and by each plan indicator (for the acquisition of each type of product), and to hold certain discussions and exchanges of experience in each sector of activity.

At this time, the presidents of the cooperatives which obtained good results will share the experiences of these units so that their progressive methods will be spread to others. Compartment chiefs and other specialists from the county unions will present lectures on the most current problems of consumer cooperatives, especially insisting upon the practical side of the measures that should be taken and, at the same time, deepening and consolidating the knowledge that the presidents of cooperatives received during the training organized at the central level. They will also deal with the normative acts published or sent by CENTROCOOP which view the activities of the organizations within the consumer cooperative system and, where necessary, will organize seminars.

Special actions are also to be undertaken for the purpose of improving the training of cooperative chief accountants. Thus, quarterly and immediately after the closing out and turning over of the balance statements, two day sessions will be organized to analyze finance and accounting activities and to instruct the cooperatives' chief accountants. They must prepare for these sessions so as to have true exchanges of experiences, on the basis of certain materials presented by those cooperatives which obtained good results, stressing the methods used there so they can be spread to all the other units. On the basis of field trip findings, specialists from the county unions will present lectures, reports and other materials designed to contribute to the enrichment of the professional knowledge of the participants and to the improvement of activities. During these sessions, the participants will work with and discuss the normative acts that have appeared during the quarter, as well as other documents that should be reviewed.

As is natural, these measures should also be applied to the other workers of the communal consumer cooperatives. At the cooperative level, bi-monthly analyses will be initiated by the cooperative executive bureaus and attended by unit chiefs, administrative workers, purchasers, key personnel from production units and service units, as well as other cadre. At this time, the stage of fulfilling all plan indicators will be analyzed and the participants will be instructed regarding the objectives of the following period and operative measures that must be taken to recoup shortfalls, recover good organization and operation of activities, and to do away with shortcomings which may still exist. At the present time, there is in the developmental stage a broad program for improving the professional qualifications of the workers through on-the-job training, short-term courses away from the work site, exchanges of experience, work experience in production units of the consumer cooperatives having a high level of equipment and work organization, and so forth.

With regards to the mobilizing economic tasks that the consumer cooperatives have in the 1976-1980 five year plan, the number of personnel will increase in this time frame in all sectors of activity and, by 1980, totaling more than 188,000 workers, or approximately 19,000 more than in 1975. Thus, in the commercial and public food supply sectors--corresponding to the 44.6 percent increase in the volume of sales when compared to the preceding five year plan--the number of workers and operative personnel will increase by nine percent (it is worth mentioning that 80 percent of the increase in the volume of sales will be achieved through increased worker productivity). In the fields of production and services, the provisions of the current five year plan call for a volume of activity 62.3 percent greater than the achievements of the previous five year plan. This increase in the volume of economic activities, as well as the organization of 5,000 new units necessitates an increase in the number of workers by 17 percent compared to the number in 1975 (under the conditions where 73 percent of the increase in the volume of production will be achieved through increased worker productivity). And, in the fields of contracting and purchasing agro-food stuffs for the state fund, there will be an increase in the volume of goods of 138.6 percent over the level of the 1971-1975 five year plan which will be ensured by an increased number of workers totaling 55 percent more than in 1975.

Under these conditions, in order to ensure the necessary number of cadre in the 1976-1980 period, it will be necessary to qualify over 20,000 workers, of which 10,000 will be trained in the 18 consumer cooperative schools and 10,000 through other forms of training.

In order to acquire the necessary number of workers for all sectors of activity, the consumer cooperatives and county unions are to organize qualification courses and post-high school specialization courses. Along these lines, an important role will be played by the consumer cooperatives in instructing the students and course participants in those units which offer appropriate training conditions so that, after graduation, these people can be easily integrated into situations of practical activities.

In order to improve the efficiency of professional training programs, the organizations of the consumer cooperatives which recruit candidates for schools and courses will take steps to carry out testing beforehand to determine the aptitudes absolutely necessary for the future of their professions.

Concomitently with these concerns for ensuring the necessary number of cadre and in view of the continuing improvement in the level of professional training, in the 1976-1980 period all workers in the consumer cooperative system will be included in diverse forms of training, with the majority being trained without being removed from production.

8724

CSO: 2700

MODERNIZATION OF COMMERCIAL ACTIVITY NECESSARY

Bucharest AGRICULTURA SOCIALISTA in Romanian 7 May 77 p 10

[Article by Dr Gh. Feteanu: "Modernization of Trade--An Urgent Problem"]

[Text] As is well known, socialist state and cooperative trading is with each passing year registering higher growth rates in retail sales; these rates are manifested in the spectacular dynamism of our whole national economy. When we consider that this year, as in the coming years of the current five-year plan, within the trade network it will be necessary to sell an increased volume of goods of an expanded assortment and that about two thirds of the increase in sales will have to be accomplished with better utilization of existing commercial space, it is perfectly clear that the development of new sales techniques constitutes a new stage in the quality organization of trade.

Modernization must be approached from many points of view.

First of all, modernization requires the rational use of sales areas, so that in each outlet it is possible to accomplish the most possible sales per square meter of commercial space in the same amount of time. This requires the use of types of furniture having superior display parameters. The rational use of every linear meter of shelf or gondola space, not only in length but also in height and depth, has become an element on which the most efficient operation of a store depends. In some cases it is also possible to gain commercial space by doing away with (or reducing) areas used for storage (adjacent warehouses), which in fact represent one third of the store's area. In this way, experience has shown that it is impossible to achieve significant expansion of sales space.

Secondly, modernization of trade requires providing the particular store with the whole assortment stipulated for the respective type of outlet, as a function of the commercial importance of each locality. At the same time, goods must be displayed in fullest view of the customers ("an item well displayed is half sold"), and selling should be done on the basis of self-service or open display--rapid forms of selling that have spread throughout the world.

In the third place, modernization requires a higher level of customer service ("the customer is the boss"), a task which necessitates the "modernization" of the store personnel themselves, by improving their professional training.

All of this shows that technical progress in trade has a somewhat specific character of application, the notion of modernization including all essential aspects of commercial activity.

The experience of modernizing around 10,000 commercial outlets of the consumer cooperative in 1971-1975 and more than 1,800 stores in 1976 has shown the necessity and usefulness of managing commercial facilities in accordance with the requirements of a well-ordered commercial operation. The following were accomplished in just this way: a rise of about 80 percent in sales, a rise in per-worker labor productivity up to 30 percent, and an expansion of about 35 percent in sales area (by doing away with or reducing the size of adjacent storage space).

Party documents and the Resolution of the Sixth Consumer Cooperative Congress emphasize the necessity, in the coming years, of acting more decisively to modernize all suitable existing outlets so as to increase the efficiency of commercial operations in accordance with the specific conditions of the trade network in this country. Modern forms of marketing must be introduced as far as possible for all groups of foodstuffs and non-food items, the guiding idea being that of providing consumers with all the conditions for making their own goods selection, thereby, so to speak, doing away with the traditional barriers--the counters.

All this shows that on the level of each county union, of each consumer cooperative, there must be a constant concern for the way in which the distribution of goods is accomplished. The modernization plan for 1977 makes it necessary to take account especially of intercommunal central commercial localities that are to become towns of an agroindustrial nature in this five-year plan, outlets located in communal commercial centers, and those located on principal tourist routes, without, of course, ignoring any of the other outlets.

Greater efforts must be made by county unions (and, of course, cooperative managers) in cases where the stage of modernization has not yet reached adequate proportions, since, as is well known, in accordance with the decisions of the Sixth Consumer Cooperative Congress the work of modernization is to be completed, by and large, by the end of this five-year plan. In the coming years, it will also be necessary to reexamine, from the standpoint of commercial engineering, the stores which were modernized four or five years ago, considering the fact that modernization has, so to speak, a short life span; new techniques in trading must always keep in step with the rapid development of the country's economy.

It is, of course, the task of every cooperative chairman to examine this problem carefully, to undertake specific measures with precise timetables to complete the modernization of outlets. These efforts will require the mobilization of all trade workers both to complete the rearrangement of the furnishings and to set up the appropriate internal organization of the outlets--and, especially, to arrange tasteful displays of the goods both in the store and in the display windows.

Chief accountants of the cooperatives must be active supporters of these efforts; they must help in precisely estimating the necessary financial outlays in accordance with the need of ensuring higher efficiency, realizing that with this aim in mind CENTROCOOP [Central Union of Consumer Cooperatives] has stipulated in each county union's investment plan the funds necessary to provide furnishings and other essential modernization projects.

Through the joint efforts of all county unions and consumer cooperatives it will be possible to achieve new and important successes in efforts to modernize consumer cooperative trading operations.

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LAW ON FOREIGN TRADE IN GOODS AND SERVICES PUBLISHED

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[Law on Trade of Goods and Services With Foreign Countries]

[Text]

Basic Provisions

Article 1

This law regulates the system of foreign trade business activities and sets conditions that are to govern business transactions in goods and services with foreign countries (hereafter: "foreign trade business transactions") and conditions that are to govern the business activities of basic and other organizations of associated labor (hereafter: "organizations of associated labor") in their relations with foreign countries.

Article 2

Foreign trade business relations are an integral part of relations in the process of social reproduction based on the association of labor and resources and on workers self-management of socially owned resources.

Workers employed in a basic organization of associated labor and in all other forms of organization assumed by the association of labor and resources are possessed of the right and the duty to make decisions within their organizations concerning business activities pertaining to economic relations with foreign countries.

Organizations of associated labor regulate mutual relations in connection with the realization of rights and duties in foreign trade operations by means of a self-management accord governing the association of labor and resources in accordance with established common policies on economic relations with foreign countries, obligations undertaken by virtue of self-management accords, and agreements on the fundamental provisions of plans formulated by self-management organizations and the sociopolitical communities.

Article 3

Organizations of associated labor engaged in foreign trade business transactions are organized and conduct their operations in line with the principles governing contractual cooperation with industrial and other organizations of associated labor on whose behalf such business transactions are performed, in accordance with a self-management accord or agreement governing such cooperation, and pursuant to the terms of contract they combine their labor and resources in association with industrial or other organizations of associated labor with whom they do business, where provided for by federal law.

Article 4

Organizations of associated labor conduct foreign trade business transactions in accordance with established common policies governing economic relations with foreign countries, obligations undertaken by virtue of self-management accords and agreements on the fundamental provisions of plans formulated by self-management organizations and the sociopolitical communities, regulations and other general rulings which serve to regulate such relations, trade and other international conventions, social compacts, and self-management accords.

Common policy in matters related to economic relations with foreign countries is determined by the Assembly of the SFRJ in the form of the social plan for Yugoslavia and other rulings.

Article 5

By means of a self-management accord organizations of associated labor may regulate the conduct of foreign trade business transactions on the territory of a specific foreign country or in specific goods and services in accordance with established common policy governing economic relations with foreign countries and pursuant to the law and regulations enacted on the basis of law.

Organizations of associated labor and other self-management organizations and communities, chambers and other general associations, organs of the sociopolitical communities, and sociopolitical organizations may enter into social compacts as a means of regulating specific questions related to the conduct of foreign trade business transactions that are in the general public interest.

Article 6

When engaging in foreign trade business transactions organizations of associated labor are required to abide by proper business practices and to look after the interests and honor of the Socialist Federal Republic of Yugoslavia in foreign countries and, hence, to conduct their business in a

manner which is not detrimental to other organizations of associated labor or the social community.

Foreign Trade Transactions

1. Conditions Governing the Conduct of Foreign Trade Transactions

Article 7

Foreign trade transactions are undertaken by organizations of associated labor which are engaged in economic activities and which are registered to conduct foreign trade business transactions.

Pursuant to paragraph 1 of this article, organizations of associated labor are defined as follows:

1) a basic organization of associated labor which, on the basis of a self-management accord on the decision to incorporate into a work organization, a combined organization of associated labor, a commercial affiliation of organizations of associated labor, or some other form of incorporation entered into by organizations of associated labor, conducts foreign trade business transactions;

2) a work organization which is not composed of basic organizations of associated labor, a work organization which is composed of basic organizations of associated labor and which, on the basis of a self-management accord on the decision to incorporate into a work organization, conducts foreign trade business transactions, or a work organization which, on the basis of a self-management accord on the decision to incorporate into a combine organization of associated labor, a commercial affiliation of organizations of associated labor, or some other form of incorporation entered into by organizations of associated labor, conducts foreign trade business transactions;

3) a combined organization of associated labor, insofar as it is provided for by means of a self-management accord on the decision to incorporate into a combined organization that such a combined organization engages in foreign trade business transactions.

Foreign trade transactions are also undertaken by commercial affiliations of organizations of associated labor, insofar as it is provided for by means of a self-management accord on the incorporation into a commercial affiliation that such a commercial affiliation engages in foreign trade business transactions.

The provisions of this article pertaining to a work organization also apply to cooperatives which are engaged in productive activities or in the organization of productive activities, and the provisions of this article pertaining to commercial affiliations of organizations of associated labor correspondingly apply to affiliations of associated labor dedicated to mutual cooperation in the fields of planning and business activities and to cooperative unions.

Foreign trade transactions in the area of armaments and military equipment are the responsibility of the Federal Secretariat for National Defense and, on its authorization, the Federal Directorate for the Trade and Stockpiling of Strategic Goods.

Article 8

Organizations of associated labor which are engaged in the trade of goods and services may conduct foreign trade business transactions only insofar as they have undertaken to combine labor and resources in association with industrial and other organizations of associated labor on whose behalf they conduct foreign trade business transactions on a lasting and extensive basis and with whom they share the risks that attend such transactions.

The provision contained in paragraph 1 of this article does not apply to business activities pertaining to the representation of foreign firms, except insofar as the Federal Executive Council, acting with the consent of the appropriate republic and provincial organs, may otherwise direct that the provision contained in paragraph 1 of this article does apply to certain business activities pertaining to the representation of foreign firms.

The Federal Executive Council, acting with the consent of the appropriate republic and provincial organs and at the instance of the Economic Chamber of Yugoslavia, will issue a regulation, pursuant to paragraph 1 of this article, that will define what is meant by the conduct of foreign trade business transactions on a lasting and extensive basis.

Article 9

Industrial organizations of associated labor engage in foreign trade business transactions within the limits of the range of business activities which they are engaged in in Yugoslavia and which they are legally registered to perform by the appropriate court of record and in accordance with this law.

Organizations of associated labor engaged in business activities involving trade in goods and services in Yugoslavia may conduct foreign trade business transactions within the limits of the range of business activities which they are legally registered to perform by the appropriate court of record and in furtherance of which they have combined labor and resources in association with industrial or other organizations of associated labor and in accordance with this law.

Article 10

Foreign trade transactions are subject to the same regulations which apply to trade in goods and the rendering of business services in Yugoslavia unless otherwise provided for by this law or by regulations enacted pursuant to this law.

Article 11

Working people and private citizens may not establish work organizations that will be engaged in business activities involving foreign trade.

Article 12

For the purpose of conducting foreign trade business transactions an organization of associated labor is listed in the judicial registry kept by the appropriate court of record within whose jurisdiction such organization has its main office.

To be listed in a court registry an organization of associated labor must file the report and record of consent of the appropriate coordinating committee for organizations of associated labor engaged in foreign trade business transactions (hereafter: "the coordinating committee") indicating that such organization is in compliance with the conditions specified in Article 16 of this law.

Organizations of associated labor may not be registered by courts to engage in the exportation or importation of armaments and military equipment.

Article 13

To conduct foreign trade business transactions an organization of associated labor must employ appropriate workers who possess special authorizations and responsibilities in the conduct of such transactions and other appropriate workers who perform tasks and duties pertaining to the conduct of foreign trade business transactions.

The Economic Chamber of Yugoslavia, in agreement with the economic chambers of the republics and the economic chambers of the autonomous provinces, sets minimal professional qualifications and other conditions which must be met by workers possessing special authorizations and responsibilities and other professional workers with a view to the efficient conduct of foreign trade business transactions.

An organization of associated labor employs a self-management general ruling as the means by which it defines the tasks and duties which are considered to be tasks and duties relevant to the conduct of foreign trade business transactions and stipulates the specific professional qualifications and other conditions which must be met by workers possessing special authorizations and responsibilities and other workers specified in paragraph 1 of this article in accordance with the ruling specified in paragraph 2 of this article.

The economic chamber of a republic or the economic chamber of an autonomous province within whose jurisdiction the main office of an organization of associated labor is located determines, at the request of an organization of associated labor, which workers possessing special authorizations and

responsibilities and which other professional workers employed by an organization of associated labor are in compliance with the conditions governing the performance of the tasks and duties specified in paragraph 3 of this article with respect to the minimal professional qualifications and other conditions which such workers must meet in order to conduct foreign trade business transactions, in accordance with the ruling of the Economic Chamber of Yugoslavia specified in paragraph 2 of this article, and serves notice of its determination to the coordinating committee attached to the competent republic or competent autonomous province organ.

Article 14

The coordinating committee is established as an adjunct of the competent organs of the republics and autonomous provinces and as an adjunct of the Federal Executive Council.

The chairmen and members of the coordinating committees attached to a competent republic organ and to a competent autonomous province organ are appointed by the executive councils of the republics and autonomous provinces. The chairmen and one third of the committee members are appointed at the express initiative of the councils, while up to one third of the committee members are appointed on the recommendation of the republic and provincial trade union councils and the economic chambers of the republics and autonomous provinces.

The chairmen of the coordinating committees attached to the competent republic organ and competent autonomous province organ are by virtue of their positions members of the Coordinating Committee attached to the Federal Executive Council.

The chairman and one third of the members of the Coordinating Committee attached to the Federal Executive Council are appointed by the Federal Executive Council at its own initiative, while up to one third of the committee members are appointed on the recommendation of the League of Trade Unions of Yugoslavia and the Economic Chamber of Yugoslavia.

Article 15

The coordinating committee attached to the competent republic organ and the competent autonomous province organ evaluates and makes recommendations on questions pertaining to the operations of organizations of associated labor which conduct foreign trade business transactions or which conduct business activities in foreign countries, with particular reference to the following matters:

- 1) the development of socioeconomic and self-management relations in such organizations;
- 2) the implementation of self-management accords and social compacts;

- 3) the implementation of cadres policy;
- 4) the organization and development of foreign trade distribution channels in Yugoslavia and in foreign countries;
- 5) the legality of foreign trade business transactions.

The coordinating committee specified in paragraph 1 of this article:

- 1) approves the registration of organizations of associated labor with the appropriate court of record to engage in foreign trade business transactions;
- 2) approves the provisions contained in self-management general rulings of organizations of associated labor which are intended to regulate the tasks and duties performed by workers possessing special authorizations and responsibilities and by other workers in the course of conducting foreign trade business transactions and those provisions which are intended to regulate the manner in which such tasks are assigned to these workers;
- 3) approves in advance the selection of workers who are to possess special authorizations and responsibilities in the course of conducting foreign trade business transactions;
- 4) may request that legal action be taken due to a break of contract committed by an employee of a joint commercial representation office in a foreign country and to be advised as to the outcome of such an action;
- 5) and performs other tasks as stipulated by federal law and by regulations enacted pursuant to federal law.

Article 16

The coordinating committee attached to a competent republic organ or competent autonomous province organ gives its consent which is a condition of registration with the appropriate court of record for the conduct of foreign trade business transactions insofar as it has ascertained:

- 1) that an organization of associated labor is in compliance with specified conditions for the effective conduct of foreign trade business transactions;
- 2) that the self-management accord on the association of labor and resources insures that the relations affirmed by this accord are in accordance with the law;
- 3) that the self-management accord and self-management general rulings of an organization of associated labor provide for appropriate conditions in connection with its organizational framework, operation, business activities, and accountability;

4) that an organization of associated labor employs suitable workers who possess special authorizations and responsibilities and other workers who engage in foreign trade business transactions.

If the coordinating committee specified in paragraph 1 of this article determines that an organization of associated labor has not provided for appropriate conditions in furtherance of the effective conduct of foreign trade business transactions, it will request that such an organization of associated labor take steps which will insure the effective conduct of foreign trade business transactions or it will withhold its consent [to the registration of such an organization].

If the coordinating committee specified in paragraph 1 of this article refuses to give its consent in accordance with paragraph 2 of this article, an organization of associated labor may file an appeal with the competent republic organ or competent autonomous province organ. The decision of these organs in reviewing such an appeal is final.

Article 17

The Coordinating Committee attached to the Federal Executive Council evaluates and makes recommendations on questions pertaining to the operations of organizations of associated labor which conduct foreign trade business transactions or which are engaged in business activities in foreign countries, with particular reference to the following matters:

- 1) the development of socioeconomic and self-management relations in such organizations;
- 2) the implementation of self-management accords and social compacts;
- 3) the implementation of cadres policy;
- 4) the organization and development of foreign trade distribution channels in Yugoslavia and in foreign countries;
- 5) the legality of foreign trade business transactions.

The coordinating committee specified in paragraph 1 of this article:

- 1) establishes uniform criteria for declarations of consent per article 16 of this law;
- 2) coordinates the work of the coordinating committees attached to competent organs in the republics and autonomous provinces;
- 3) performs tasks as stipulated by federal law in connection with the operation of joint commercial representation offices in foreign countries and the conduct of their employees;

4) may request that legal action be taken due to a breach of contract committed by an employee of a joint commercial representation office in a foreign country and to be advised as to the outcome of such an action;

5) and performs other tasks as stipulated by federal law and by regulations enacted pursuant to federal law.

Article 18

If the coordinating committee attached to a competent republic or autonomous province organ determines that a legally registered organization of associated labor is no longer in compliance with any of the conditions specified in article 16 of this law governing the conduct of foreign trade business transactions, it will enjoin such an organization of associated labor to take action within a specified time period so as to conform to said conditions; and if such an organization of associated labor fails to conform to said conditions within the specified time period, the coordinating committee will render a decision nullifying the legally registered rights of such an organization to engage in foreign trade business transactions.

If on the basis of information supplied by the Social Accountancy Service and organs authorized to conduct audits the coordinating committee attached to a competent republic or autonomous province organ determines that the operating costs of an organization of associated labor engaged in foreign trade transactions are consistently disproportionate to the foreign trade sales in furtherance of which such costs were incurred, it may render a decision to nullify the legally registered right of such an organization of associated labor to engage in foreign trade business transactions.

An organization of associated labor may file an appeal against the decisions of a coordinating committee specified in paragraphs 1 and 2 of this article with a competent republic or autonomous province organ.

Pursuant to the decision of the coordinating committee specified in paragraphs 1 and 2 of this article against which no appeal is filed or pursuant to the decision of the competent organ specified in paragraph 3 of this article, the appropriate court of record will nullify the legally registered right of an organization of associated labor to engage in foreign trade business transactions.

Article 19

The Coordinating Committee attached to the Federal Executive Council may request that a coordinating committee attached to a competent republic or autonomous province organ or a joint commercial representation office in a foreign country provide it with information and data which it needs to carry out its work.

A coordinating committee attached to a competent republic or autonomous province organ may request that the Coordinating Committee attached to the Federal Executive Council or a joint commercial representation office in a

foreign country provide it with information and data which it needs to carry out its work.

Article 20

Professional and administrative work in support of the requirements of a coordinating committee attached to a competent republic or autonomous province organ and the Coordinating Committee attached to the Federal Executive Council is performed by administrative organs designated by the executive council of a republic assembly, the executive council of an autonomous province assembly, or the Federal Executive Council.

Article 21

A coordinating committee reaches decisions on matters within its jurisdiction by a majority of votes cast by its members. Detailed regulations on the organizational framework, working procedures and conditions, decision-making procedures, time limits for filing appeals, and other significant questions affecting the work of a coordinating committee are enacted by the Federal Executive Council with the consent of the executive councils of the republic assemblies and the executive councils of the autonomous province assemblies.

Article 22

An organization of associated labor may begin to engage in foreign trade business transactions only after it has been legally registered to do so.

Prior to legal registration with the appropriate court of record an organization of associated labor may not engage in any preliminary or preparatory dealings connected with foreign trade business transactions (soliciting or making bids, sending out promotional samples, initiating or conducting negotiations, and so on).

Article 23

When legal registration is completed and when registration records are amended an organization of associated labor must provide the appropriate republic or provincial organ and the Federal Secretariat for Foreign Trade with a certified copy of the court ruling attesting to the completion of registration in the court registry or the effectuation of amendments to registration records, doing so within a period of 30 days after the date of the record entry.

Article 24

If after having been legally registered an organization of associated labor is no longer in compliance with any of the conditions specified in article 16 of this law, it must serve notice to this effect within a period of 8 days after the date on which it ceased to be in compliance with said conditions before the appropriate republic or provincial administrative organ and the Federal Secretariat for Foreign Trade.

Article 25

Rulings on the completion of legal registration, rulings on the revocation of legal registration, and rulings on the nullification of legally registered rights to engage in foreign trade business transactions involving certain goods or certain business services are published in SLUZHBI LIST SFRJ at the expense of the organization of associated labor concerned.

2. Exports and Imports

Article 26

In order to carry out and regionally coordinate the common policy of economic relations with foreign countries specified in article 4 of this law and in order to implement economic development policy foreign trade business activities are conducted freely or within a framework of quotas based on official licenses and permits.

Foreign trade business activities are regulated, in keeping with the provision of paragraph 1 of this article, on the basis of a long-range program which is enacted by the Federal Executive Council subject to the consent of the appropriate republic and provincial organs.

The Federal Executive Council, subject to the consent of the appropriate republic and provincial organs, prescribes in due course the standards and other conditions and procedures that will govern the setting of quotas for any given year and the distribution of such quotas among organizations of associated labor and the conditions and procedures governing the issuance of export and import licenses and permits.

The prescriptive measures specified in paragraph 3 of this article are to be published in SLUZHBI LIST SFRJ no later than 2 months before they go into effect.

Article 27

In order to provide for the implementation of policies for the economic development of Yugoslavia and in order to promote and protect domestic industries certain goods may be imported within limits prescribed by a set quota.

A quota is used to determine the volume of imports of a specific commodity over a specified period of time, in terms of the quantity of goods (commodity quota) or in terms of the value of goods (foreign exchange quota).

Quotas are set by means of a self-management accord which is concluded between organizations of associated labor--producers, consumers, and importers of a specific commodity--or between organizations of associated labor comprised within an association engaged in planning coordination and commercial cooperation.

If the association specified in paragraph 3 of this article does not comprise all of the organizations of associated labor which are producers, consumers, and importers of a specific commodity or if such organizations of associated labor are affiliated into several different associations, the self-management accord on the setting of quotas is to be concluded by those organizations of associated labor which are not affiliated in this association and the association of associated labor engaged in planning coordination and commercial cooperation or between associations of associated labor engaged in planning coordination and commercial cooperation.

The self-management accord specified in paragraph 3 of this article, as an element of the materials supply projections based on the anticipated growth rate of production for any given year, serves as the means for determining the volume of imports in terms of quantity (commodity quota) or in terms of value (foreign exchange quota), as synchronized with anticipated domestic production and consumption levels; the regional distribution of imports as coordinated with the common economic policy and valid trade and other government-to-government accords; the procedure for distributing imports among individual organizations of associated labor; the structural breakdown and rate of imports; the method and organization of import activity, and so on.

The prescriptive measure specified in article 26, paragraph 3 of this law may direct that the commodity quota or foreign exchange quota for a given commodity can be set so as to cover a period longer than 1 year.

The self-management accord on the setting of quotas in accordance with the provision set forth in paragraph 3 of this article will not go into effect insofar as the federal administrative organ, which is designated by the Federal Executive Council, may determine that such quotas have been set in a manner which runs counter to the provision set forth in paragraph 5 of this article.

If an organization of associated labor does not conclude a self-management accord as specified in paragraph 3 or paragraph 4 of this article within the time limit stipulated by the Federal Executive Council, commodity quotas and foreign exchange quotas will be set by a federal administrative organ designated by the Federal Executive Council.

By way of exception to the provisions of this article, the Federal Executive Council may, on the basis of the prescriptive measure specified in article 26, paragraph 3 of this law, direct that the quota for a commodity which is supposed to be imported on the basis of a commodity quota or foreign exchange quota is to be set by the Federal Executive Council or by a federal administrative organ of its designation.

Article 28

In order to promote the fulfillment of contractual obligations undertaken pursuant to international conventions and trade and other government-to-government accords, the stabilization of business conditions on the unified Yugoslav market, and the prevention of deviations from established price policy, certain goods may be imported and exported on the basis of licenses.

A license to import or export certain goods is issued by a federal administrative organ designated by the Federal Executive Council.

The issuance of licenses to import certain goods may be made conditional upon the acceptance of an obligation on the part of an organization of associated labor to export domestic goods in specified quantities or values, to provide for the participation of a domestic producer in the delivery of such goods, or to make sure that certain goods for which an import license is issued may be imported only through an organization of associated labor which is engaged in the business of representing foreign firms.

Article 29

In order to conclude an agreement on the exportation or importation of narcotic drugs an organization of associated labor must first obtain a license to do so from the Federal Secretariat for Foreign Trade in accordance with the law which regulates the production and sale of narcotic drugs.

Article 30

In accordance with the established common policy on economic relations with foreign countries and within the framework of the long-range program specified in article 26, paragraph 2 of this law, the Federal Executive Council draws up a schedule of the commodities encompassed by the specific types of export and import arrangements (unrestricted imports and exports, commodity quotas, foreign exchange quotas, and licenses).

Article 31

In order to provide for the more favorable regional flow of commodity trade with foreign countries certain goods may be imported and exported on the basis of permits.

The Federal Executive Council designates which goods may be exported or imported on the basis of permits and the federal administrative organ which is to issue such permits.

Article 32

In order to realize the interests and goals identified in their respective plans and in order to increase the production of goods and the performance of services which serve to generate joint revenues and greater foreign exchange earnings organizations of associated labor may jointly take advantage of established commodity quotas, foreign exchange quotas, licenses and permits on the basis of a self-management accord on the association of labor and resources.

Pursuant to paragraph 1 of this article, organizations of associated labor may jointly take advantage of established commodity quotas, foreign exchange quotas, licenses, and permits for purposes specified by a self-management accord on long-term industrial cooperation, commercial-technical cooperation, and other arrangements for the association of labor and resources.

Article 33

Organizations of associated labor which on the basis of an agreement on long-term industrial cooperation with foreign countries import or export parts, assemblies, subassemblies, components, component parts, semimanufactures, and essential components engage in import or export transactions in accordance with the provisions of the specification which is subjoined to the contract agreement accompanying the issuance of the permit granted by the Federal Committee for Energetics and Industry, in agreement with the Federal Secretariat for Foreign Trade. The permit is issued in conjunction with the official approval of the agreement on long-term industrial cooperation with a foreign country, and said permit remains valid for the life of the agreement.

Article 34

An organization of associated labor in which foreign legal or physical persons invest assets in the form of equipment or on whose behalf an investment contract provides that the assets of a foreign person, as the means of investment, are to be used to acquire equipment which is to be imported under the terms of a commodity quota, foreign exchange quota, or license may import such equipment on the basis of a permit which is issued by the Federal Committee for Energetics and Industry, in agreement with the Federal Secretariat for Foreign Trade.

An organization of associated labor in which foreign legal or physical persons invest assets in the form of raw materials or reproduction materials, which are to be imported under the terms of a commodity quota, foreign exchange quota, or license, may engage in such import transaction on the basis of a permit which is issued by the Federal Secretariat for Foreign Trade, in agreement with the Federal Committee for Energetics and Industry.

Article 35

Capital goods (machinery, apparatuses, plant equipment, transport vehicles, and so on) may be imported under terms of direct purchase for use in the production of goods and the rendering of services.

Pursuant to paragraph 1 of this article, the provisions of articles 26 through 28 and articles 30 and 31 of this law apply to imports of capital goods.

Article 36

An organization of associated labor which exports fully assembled plants or carries out capital construction projects in foreign countries may undertake to purchase abroad a portion of the equipment needed to complete the plant which is being delivered or to complete the capital construction project which is being built without being considered to have imported goods into Yugoslavia, subject to the conditions and procedures which are prescribed by the Federal Executive Council with the consent of appropriate republic and provincial organs.

Regulations governing the importation of the same goods into Yugoslavia do not apply to the purchase of goods in accordance with paragraph 1 of this article.

Article 37

The provisions contained in articles 26 through 28 and articles 30 through 36 of this law do not apply to the importation of armaments and military equipment and their related parts or to the importation of plant equipment and reproduction materials which are required for the production of armaments and military equipment in Yugoslavia.

Goods specified in paragraph 1 of this article are imported on the basis of a license issued by the Federal Secretariat for National Defense.

Article 38

Insofar as other economic policy measures fail to overcome the effects of major dislocations in foreign trade, the balance of payments, or on the market, the Federal Executive Council may prescribe measures for the temporary curtailment of foreign trade transactions.

The measures specified in paragraph 1 of this article must be of limited duration, and they may remain in effect only for as long as the dislocations which prompted their enactment continue to exist.

The measures specified in paragraph 1 of this article do not apply to transactions concluded and reported as a matter of record to a banking institution prior to the implementation of regulations pertaining to the measures specified in said paragraph.

By way of exception, insofar as the conduct of transactions concluded or reported as a matter of record to a banking institution prior to the implementation of a regulation pertaining to the measures specified in paragraph 1 of this article may be significantly detrimental to the development of the economic relations specified in paragraph 1 of this article or provoke more serious dislocations in the context of these relations, a regulation pertaining to the measures specified in paragraph 1 of this article may be enacted in order to impose restrictions on the conduct of such transactions

that have already been concluded or reported as a matter of record to a banking institution or stipulate conditions under which such transactions may be conducted.

The Federal Executive Council must immediately advise the Assembly of the SFRJ as to the enactment of regulations pertaining to the temporary restrictive measures specified in this article. Insofar as the measures specified in paragraph 1 of this article result in a violation of the equal rights enjoyed by organizations of associated labor in terms of the attainment of incomes and the disposition of labor products, the Federal Executive Council, concurrently with the enactment of such measures, will propose that appropriate compensation be granted by way of restitution for transactions which are concluded and reported as a matter of record to a banking institution, but which are not carried out owing to the effects of the measures undertaken.

3. Miscellaneous Provisions on Exports and Imports

Article 39

Goods may be imported on the basis of a previously held auction, on the basis of previously gathered offers submitted by a specified minimum number of bidders, or on the basis of direct agreement.

Organizations of associated labor, other self-management organizations, and associations and organs of the sociopolitical community at whose costs goods are being imported determine the manner in which such goods are to be imported insofar as this law or regulations enacted pursuant to this law do not provide that certain types of goods to be used for specified purposes may only be imported on the basis of a previously held auction or on the basis of a previously gathered offers.

Article 40

Goods are imported on the basis of a previously held auction or on the basis of previously gathered offers submitted by a specified minimum number of bidders in order to choose a supplier which offers the most acceptable terms, especially if goods are to be imported in large quantities and a large number of suppliers or a large number of importers have an interest in such a transaction or if certain goods are to be imported for a special purpose.

The Economic Chamber of Yugoslavia, acting in agreement with the economic chambers of the republics and autonomous provinces, determines which types of goods in which circumstances must be imported on the basis of a previously held auction or on the basis of previously gathered offers submitted by a specified minimum number of bidders, prescribes the procedures which are to govern the conduct of such auctions and the gathering of such offers for the exportation and importation of goods, and it may also direct that the importation of certain kinds of equipment be made conditional upon the exportation of domestic equipment.

The provisions contained in paragraphs 2 and 3 of this article do not apply to the importation of armaments and military equipment nor to the importation of equipment and reproduction materials for the production of armaments and military equipment in Yugoslavia.

Article 41

Domestic producers of goods which are expected to be acquired abroad must be allowed to participate in auctions; and if offers are being gathered, domestic producers must be allowed to submit their own offers.

If the terms offered by domestic and foreign bidders are identical, preference is given to the domestic bidder.

If foreign bidders offer more favorable terms than domestic bidders, preference is given to the offer of the foreign bidder who contracts more extensively with domestic producers for the production of the goods that are to be delivered and who grants more extensive credits to a domestic producer to be engaged in producing the goods in question or spends more for the purchase of products manufactured by domestic producers.

Article 42

The Federal Secretariat for Foreign Trade may approve the application of a self-management organization or community, a sociopolitical or other social organization, or an organ of the sociopolitical community, exclusive of the organizations of associated labor specified in article 7 of this law, to conduct a specific foreign trade business transaction in furtherance of its own requirements.

If an organization of associated labor specified in article 7 of this law imports a fully assembled apparatus or plant equipment and in the future will have to import individual parts which constitute an integral element of such apparatus or plant equipment for the importation of which it is not registered, the Federal Secretariat for Foreign Trade may approve the application of such an organization of associated labor to import these parts.

Article 43

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, enacts regulations governing import and export transactions which are conducted as reciprocity transactions and service transactions in connection with the physical enhancement of goods (industrial finishing, manufacturing, processing). These regulations may make the conduct of certain transactions conditional upon the issuance of a special approval by an appropriate organ or the National Bank of Yugoslavia, and they may also direct that such transactions must be secured by security deposits or bank guarantys in addition to other conditions.

If the regulations specified in paragraph 1 of this article direct that a security deposit must be paid or that a bank guaranty must be undertaken and in the event that the right to recover the security deposit or to claim reimbursement for the bank guaranty is forfeited, the amount of the deposited security or the amount paid for the bank guaranty is disposed of in accordance with the procedures and conditions stipulated by the republic or autonomous province within whose jurisdiction is located the main office of the organization of associated labor which deposited said security or which undertook said bank guaranty.

Article 44

Organizations of associated labor may enter into agreements with foreign legal and physical persons on long-term industrial cooperation, commercial-technical cooperation, and the granting and acquisition of patents, licenses, models, brands, and so on.

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, enacts detailed regulations on the procedures and conditions under which agreements may be entered into as specified in paragraph 1 of this article, in addition to agreements on the utilization of knowledge and experience (know-how) and long-term industrial cooperation in accordance with the provisions of paragraph 1 of this article.

Preliminary and preparatory dealings related to the conclusion of an agreement as specified in paragraph 1 of this article for the purpose of producing armaments and military equipment may be undertaken by organizations of associated labor only with the consent of the Federal Secretariat for National Defense.

An agreement as specified in paragraph 3 of this article may be concluded in its final form only on the basis of the approval of the Federal Secretariat for National Defense.

An agreement concluded in accordance with paragraph 3 of this article is submitted, at a time specified in the notice of approval, to the Federal Secretariat for National Defense so that it may be recorded.

The regulations specified in paragraph 2 of this article do not apply to the agreements specified in paragraph 3 of this article nor to agreements which might be concluded by the Federal Secretariat for National Defense.

Article 45

An organization of associated labor which is engaged in commodity trade in Yugoslavia and which is registered to conduct foreign trade business transactions may conclude an agreement with foreign firms on the sale or purchase of goods for a third party account; and where agricultural products are concerned, such an organization of associated labor may also engage in preliminary and preparatory dealings in connection with the conclusion of such an

agreement insofar as it has previously concluded on agreement in Yugoslavia as to the quantity of goods which are supposed to be sold or purchased abroad.

In the case of an agreement concluded in Yugoslavia on the purchase or sale of goods the quantity of agricultural products to be sold or purchased may also be stipulated on the basis of a harvest yield estimate or on the basis of a tentative agreement on the export of agricultural products concluded between the organization of associated labor engaged in the production of and the organization of associated labor engaged in the marketing of agricultural products.

Article 46

An organization of associated labor which is registered to perform maintenance and provisioning services for foreign ships berthed in domestic ports and anchorages or to perform maintenance and provisioning services for foreign aircraft at domestic airports or to export goods to foreign armies as well as an organization of associated labor which is registered to engage in border district and maritime trade with neighboring countries may conduct such foreign trade business transactions regardless of the nature of the business activity which they are registered to engage in in Yugoslavia.

Goods destined for foreign armies, in accordance with paragraph 1 of this article, may be exported by organizations of associated labor only on the basis of a special authorization issued by the Federal Secretariat for Foreign Trade.

Article 47

The Federal Executive Council, with the consent of appropriate republic and provincial organs and in accordance with existing government-to-government accords, enacts regulations governing the exportation and importation of goods and services in border district and maritime trade with neighboring countries.

Article 48

Armaments and military equipment may be exported and imported only on the basis of the approval of the Federal Secretariat for National Defense.

Armaments and military equipment may be exported and imported by organizations of associated labor which receive the approval of the Federal Secretariat for National Defense regardless of the business activity for which they are registered.

The Federal Secretariat for National Defense prescribes which objects are considered to be armaments and military equipment.

Article 49

Sociopolitical communities, organizations of associated labor, and other self-management organizations and associations import armaments and military equipment for the territorial defense needs which they are required to finance through the Federal Secretariat for National Defense.

The federal secretary for national defense will enact detailed regulations on the importation of armaments and military equipment in accordance with paragraph 1 of this article.

Article 50

The provisions of this law do not apply to foreign trade business transactions which are conducted directly by the Federal Secretariat for National Defense in order to meet the needs of the armed forces of the SFRJ and, at the discretion of the Federal Executive Council, in order to fulfill the international obligations of Yugoslavia.

Detailed regulations governing the procedures for conducting foreign trade business transactions as specified in paragraph 1 of this article are enacted by the federal secretary for national defense.

Article 51

If under the terms of an agreement with a foreign firm or international agreements it is provided that goods which are to be exported must be accompanied by specified affidavits or specified certification documents, such affidavits or documents will be issued to or certified for an organization of associated labor, at its request, by the Economic Chamber of Yugoslavia, which may also delegate this authority to other economic chambers insofar as regulations do not designate a specific administrative organ or some other organization for this purpose.

If pursuant to a regulation of the country in which an affidavit or other document (invoices and so on) as specified in paragraph 1 of this article must be legally authorized by an appropriate official organ in Yugoslavia, the legal authorization of such affidavits or documents is performed by the Federal Secretariat for Foreign Affairs.

Detailed regulations concerning the issuance of affidavits and the certification of documents which are to accompany exported goods in addition to regulations addressing the question as to which goods are deemed to be of Yugoslav origin are enacted by the Federal Executive Council. Such regulations may authorize the Economic Chamber of Yugoslavia to define issuance procedures, the types of affidavits, and the procedures governing the certification of such documents.

The regulations specified in paragraph 3 of this article may provide that certain types of affidavits are to be issued by a specified customs organ.

Article 52

The Federal Secretariat for Foreign Trade may order that in certain cases organizations of associated labor which are importing goods must make provisions in their sales agreements for the obligation on the part of foreign sellers to obtain from the appropriate organs of their country affidavits attesting to the origin of the goods which they are exporting, in some cases certified by a Yugoslav consular representative in the country concerned, and to submit such affidavits to the appropriate official organ when said goods reach their point of entry.

The Federal Secretariat for Foreign Trade may order that in certain cases or in the case of certain goods organizations of associated labor which are exporting goods must make provisions in their sales agreements for the obligation on the part of a foreign buyer to obtain from the appropriate organ of his country a statement in confirmation of the fact that said buyer will be the ultimate user of said goods in the country of destination and to forward this statement to the organization of associated labor which will be exporting said goods.

Article 53

The federal secretary for foreign trade may, where necessary, enact a regulation on the conditions under which goods are exported or imported without payment in cash or without payment in kind of equivalent value.

4. Commercial Services and Other Forms of Foreign Trade Transactions

Article 54

International freight-forwarding transactions, transactions involving the international transportation of goods and passengers, international commercial transport agency transactions, tourist trade transactions with foreign countries, transactions involving the contractual inspection of the quality and quantity of goods in international trade, work on capital construction projects in foreign countries, representation of foreign firms, intermediary transactions in foreign trade, and other commercial services involving foreign trade may be engaged in by organizations of associated labor provided that they are registered to engage in such commercial services involving foreign trade, unless otherwise provided for by this law.

An organization of associated labor registered to perform commercial services in association with foreign countries may, without benefit of a special listing in the registry of representatives of foreign firms, also represent foreign firms which provide corresponding services.

Article 55

In accordance with this law, international freight-forwarding transactions are defined as transactions involving the organization of the forwarding and shipping of goods in international trade as performed by an organization of associated labor on its own behalf and on the commission and at the cost of a consignor and the performance of prescribed or customary auxiliary services in connection with such transactions.

The transactions specified in paragraph 1 of this article are deemed to include in particular the conclusion of shipping agreements, the loading of goods onto or off of transport vehicles, the filling out or furnishing of consignment papers, bills of lading, and so on, the conclusion of agreements on the insurance and warehousing of goods, dealings connected with the collection of customs duties on goods, and the control of the payment of shipping costs.

Article 56

In accordance with this law, transactions involving the international transportation of goods and passengers are defined as the performance of services related to transportation of goods and passengers along international routes by rail, road, sea, air, river and lakes.

Article 57

In accordance with this law, international commercial transport agency transactions are defined as transactions conducted by agents or intermediaries in the transportation goods and passengers along international routes by rail, road, sea, air, rivers, and lakes and the performance by them of prescribed or customary auxiliary services in connection with such transportation.

The transactions specified in paragraph 1 of this article are deemed to include in particular: securing space abroad a transport vehicle for a consignor's goods, securing the necessary quantity of goods to be shipped by a client's transport vehicle, the rendering of services or acting as an intermediary in the rendering of services with regard to the use of a transport vehicle for the transportation of goods, passengers, and cargo and with regard to meeting the needs of crew and passengers; ticket sales and other transactions connected with the services of agents and intermediaries engaged in the international transport business.

An organization of associated labor which engages in international commercial transport agency transactions concludes an agreement on international commercial transport agency transactions on behalf of and at the expense of a client or merely acts as an intermediary in the conclusion of such agreements.

Article 58

In accordance with this law, tourist trade transactions are defined in particular as: the provision of hotel and restaurant services (lodging, food services, and so on), the organization and operation of travel tours and excursions in Yugoslavia and foreign countries, the organization of trips to attend cultural, commercial, athletic, or other presentations, the organization of hunting and fishing expeditions, and the performance of travel services in the international tourist trade.

Article 59

The provision of special hotel and restaurant and other services for foreign tourists and travelers and for foreign tourist organizations may also be contracted for in Yugoslavia by hotel and restaurant organizations of associated labor and their trade associations even though they are not registered to provide such services in international trade.

Article 60

Specially arranged sports hunting and fishing services may be provided for foreigners by organizations engaged in sports hunting and fishing and in the breeding of wild game and fish in Yugoslavia even though they are not registered to provide such services in international trade.

Article 61

In accordance with this law, transactions involving the contractual inspection of the quality and quantity of goods in international trade are defined as the inspection of the quality, quantity, and other attributes of goods as performed on the basis of an agreement concluded between the organization of associated labor engaged in making such inspections and its client primarily in order to determine whether the quality, quantity, and other attributes of goods meet the standards stipulated in the agreement concluded between the buyer and seller of the goods.

A contract on the inspection of the quality and quantity of goods concluded between the buyer of goods and the organization of associated labor which performs such an inspection at the commission of the buyer may provide for the qualitative and quantitative assumption of responsibility for goods at the buyer's expense as well as for the guaranty of the organization of associated labor performing such an inspection as to the quality, quantity, and other attributes of the goods being inspected.

An organization of associated labor which inspects the quality and quantity of goods in international trade may also engage in prescribed or customary activities related to such an inspection, such as: the control of the packing and expediting of goods, supervision of the on-loading, off-loading, reloading, shipping, and arrangement of goods in transport vehicles, inspection of warehouse space, inspection of transport vehicles, consulting work, and so on.

An organization of associated labor which performs any of the tasks specified in paragraphs 1 through 3 of this article must issue an appropriate written report to its client on the results of a completed inspection or on the results of any of the other tasks referred to in these paragraphs.

Article 62

In accordance with this law, work on capital construction projects in foreign countries is defined as:

- 1) the preparation of expert analyses and studies, the preparation of capital investment programs, technical documentation for investment projects, auction memoranda (tender documents), and other capital investment documents for facilities and projects;
- 2) the performance of geodetic and other survey work, land reclamation work, land improvement, and the development of arable farmlands;
- 3) work on all types of construction, geological, mining, hydrotechnical, and other similar projects in addition to interior design and decorating work;
- 4) work on all types of installation, assembly, and disassembly projects in addition to work on the maintenance and repair of industrial and other kinds of plants;
- 5) putting into operation plants or plant equipment at completed facilities and the operational management of completed plants, facilities, and operations for the length of warranty periods;
- 6) construction of complete plant installations and the delivery of fully assembled plant equipment for such installations;
- 7) supervision of construction work on facilities and projects;
- 8) provision of professional assistance in the course of construction work and in the course of carrying out projects at completed facilities;
- 9) performing other tasks related to work on capital construction projects in foreign countries.

Detailed regulations on the organization and operational procedures of organizations of associated labor which perform capital construction work in foreign countries as well as the conditions under which organizations of associated labor perform capital construction work in foreign countries in cooperation with other organizations of associated labor or foreign firms are enacted by the Federal Executive Council, with the consent of appropriate republic and provincial organs.

Article 63

An industrial organization of associated labor which is legally registered with an appropriate court of record to export complete plants or plant equipment may, without benefit of a special listing in a court registry, also engage in work on the installation of the plants or plant equipment which it has exported.

Article 64

An organization of associated labor which is legally registered with an appropriate court of record to perform capital construction work in foreign countries may, without benefit of a special listing in a court registry, export and purchase abroad plant equipment, reproduction and other materials, and accessory equipment needed for the capital construction projects which it is working on in a foreign country as well as goods intended for the personal use of the workers employed in its operations in a foreign country.

Article 65

In accordance with this law, transactions involved in the representation of foreign firms are defined as:

- 1) the conduct of transactions on behalf of and at the expense of a foreign firm that are preliminary to the conclusion of a contract for the purchase or sale of goods or a contract for the rendering of services, the establishment of contacts between a foreign firm and organizations of associated labor with a view to the conclusion of such contracts, and the performance of tasks related to the execution of such contracts;
- 2) the conclusion of contracts for the purchase or sale of goods or contracts for the rendering of services on behalf of and at the expense of a foreign firm;
- 3) the operation of a consignment warehouse for foreign goods for the purpose of expediting sales;
- 4) the performance of product service work in support of the maintenance of imported plant equipment and durable consumer goods in addition to the rendering of technical and other services.

Organizations of associated labor engaged in transactions involving the representation of foreign firms serve as a point of contact between the foreign firm which they represent and domestic industrial organizations of associated labor, take part in transactions involving the organization of long-term industrial cooperation programs, the joint investment of assets and commercial-technical cooperation, and by committing their own resources they also participate in such transactions and in the process of establishing reciprocal links between the imports of goods supplied by the foreign firms which they represent and exports of domestic goods.

The transactions specified in paragraph 1 of this article may be conducted insofar as a written contract has been concluded with a foreign firm governing representation transactions, and the transactions specified in points 3 and 4 in paragraph 1 of this article may be conducted insofar as, in addition to the contract on the representation of a foreign firm, a written contract has also been concluded with a foreign firm for the purpose of governing said transactions. Records of such contracts are filed with the Economic Chamber of Yugoslavia.

The contracts specified in paragraph 3 of this article are concluded throughout the territorial jurisdiction of the Socialist Federal Republic of Yugoslavia.

An organization of associated labor which is engaged in transactions involving the representation of foreign firms may as a rule conclude a contract on the representation of a foreign industrial firm.

An organization of associated labor engaged in transactions involving the representation of foreign firms may conduct such transactions within all fields of commerce.

An organization of associated labor which is engaged in transactions involving the representation of foreign firms may, without benefit of special registration permitting it to engage in the importation or exportation of goods, import goods with which it has been entrusted by a foreign firm on a consignment basis for the purpose of expediting sales and export goods to meet the needs of the foreign firm which it represents.

An organization of associated labor which is engaged in transactions involving the representation of foreign firms may also act as the agent of a foreign firm on foreign markets.

The Federal Executive Council, on the recommendation of the Economic Chamber of Yugoslavia, enacts detailed regulations where necessary governing transactions involving the representation of foreign firms in Yugoslavia.

Article 66

In accordance with this law, intermediary transactions in foreign trade are defined as:

- 1) the importation of goods for the purpose of their re-exportation in an unaltered or essentially unaltered state;
- 2) the purchase of goods in a foreign country, the importation of said goods from a foreign country, and the exportation of said goods to a foreign country in the same quantity and at the same tariff rate indicated in the Customs Tariff Schedule (ramplasman [term used to describe distribution channel mentioned in point 2 above; translation unknown]);

- 3) the purchase of goods in Yugoslavia and in foreign countries, their storage in domestic customs warehouses, and their sale abroad in an unaltered state;
- 4) the purchase of goods in a foreign country and their direct sale in a foreign country;
- 5) intermediary services in the distribution of foreign goods on foreign markets;
- 6) the purchase of goods in a foreign country for purposes of industrial manufacture, finishing, and processing in domestic industrial organizations of associated labor in addition to effecting payment for services rendered in the finishing, manufacturing, and processing of said goods and in the export of said goods;
- 7) the conduct of transactions related to the performance of intermediary services in foreign trade, such as: conversion, arbitration, the handling of accounts payable in certain foreign currencies, and the handling of accounts receivable in foreign currencies which have a significant bearing on the maintenance of liquidity in international payments, and so on.

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, enacts detailed regulations governing intermediary transactions in international trade. These regulations may make the conduct of individual transactions referred to in this article conditional upon the issuance of a special approval of an appropriate official organ or the National Bank of Yugoslavia.

Article 67

In accordance with article 54 of this law, other commercial services involving foreign trade are defined in particular as: port services, storage in public warehouses, postal, telegraph and telephone services, hauling operations, ship rescue and salvage operations, airport services, and international commercial fair operations, insofar as such services are rendered in the context of commerce with foreign countries.

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, enacts detailed regulations as to the definition of other commercial services involving foreign trade, in accordance with paragraph 1 of this article, and as to which commercial services, exclusive of the services specified in said paragraph, are deemed to be other commercial services.

Article 68

The Federal Executive Council may, with the consent of the appropriate republic and provincial organs, prescribe the conditions under which commercial services provided by foreigners may be utilized.

Article 69

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, may regulate commercial and technical cooperation with foreign firms as practiced in duty-free zones, in particular as such commercial and technical cooperation relates to the construction of industrial plants, warehouses, and other facilities intended to facilitate the conduct of business activities in such zones, the utilization of such facilities, and the conditions governing the construction and financing of such facilities.

Article 70

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, prescribes the conditions governing the operation of agencies representing foreign firms, agencies representing foreign banks and other foreign financial institutions in Yugoslavia as well as the conditions governing the operation of foreign commercial agencies in Yugoslavia.

Regulations which are enacted in accordance with paragraph 1 of this article may make provisions with regard to which federal administrative organ is responsible for approving and stipulating the detailed conditions governing the operations of individual agencies representing foreign firms, agencies representing foreign banks and other foreign financial institutions, and foreign commercial agencies.

Article 71

Organizations of associated labor registered to perform airport services may sell foreign goods in duty-free stores, on the basis of a contract entered into for the purpose of representing a foreign firm solely through the sale of its goods in such stores.

Article 72

An organization of associated labor which is engaged in foreign trade business transactions and an industrial organization of associated labor which is not registered to engage in foreign trade business transactions may collaborate with each other at international expositions, fairs, and so on and may by themselves or in conjunction with other organizations of associated labor organize expositions, fairs, and so on to be held abroad.

5. Cooperation Among Organizations of Associated Labor in the Conduct of Foreign Trade Business Transactions

Article 73

In order to coordinate their mutual interests and in order to implement common policy with regard to economic relations with foreign countries as established by the social plan of Yugoslavia and by other official enactments,

organizations of associated labor which engage in foreign trade business transactions with a specific country or with a group of countries are required to organize themselves into sections for the promotion of economic relations with foreign countries within the Economic Chamber of Yugoslavia, in accordance with the Statutes of the Economic Chamber of Yugoslavia.

In order to achieve the goals specified in paragraph 1 of this article organizations of associated labor which conduct foreign trade business transactions and are organized into sections do the following in particular: they agree upon the manner in which they will make an organized entry into the market of specific country or group of countries; they determine the general conditions that are to govern their business activities, in accordance with existing regulations; they analyze conditions and familiarize themselves with trends on foreign markets; they monitor and direct the work of joint commercial representations in foreign countries, and they engage in cooperation with the coordinating committees specified in articles 16 and 18 of this law and with the economic chambers of the republics and autonomous provinces.

The tasks of the sections and their operating procedures are stipulated in detail by a general ruling enacted by the sections, in accordance with the Statutes of the Economic Chamber of Yugoslavia.

An organization of associated labor as specified in paragraph 1 of this article which deems that its self-management rights have been violated by a general ruling of any section may file a complaint to this effect with a court of associated labor.

Sections may make binding resolutions and decisions in furtherance of the performance of their tasks under conditions and in a manner established by the Statutes of the Economic Chamber of Yugoslavia and by the general rulings of any section.

Resolutions and decisions arrived at in accordance with paragraph 5 of this article are binding upon an organization of associated labor as specified in paragraph 1 of this article even though its representative was not present at the time when the resolution or decision was made.

The binding resolutions and decisions specified in paragraphs 5 and 6 of this article are made by the sections in the course of exercising their public mandate granted to them by the Economic Chamber of Yugoslavia.

Article 74

Organizations of associated labor which are involved in the conduct of foreign trade business transactions on a certain market or in terms of certain goods or services may by means of a self-management accord regulate the joint organization of export or import activities and the joint entry into foreign markets, designate coordinators or agents responsible for matters pertaining to the execution of a self-management accord, pool resources and set up joint, special-purpose funds, and agree upon other forms of mutual

cooperation in foreign trade with a view to advancing the volume of that trade, in accordance with the law and existing social compacts.

The Federal Executive Council may order that an organization of associated labor as specified in paragraph 1 of this article must take action toward arriving at a self-management accord in accordance with said paragraph, and it may also prescribe a time limit within which such an organization of associated labor must conclude a self-management accord.

If organizations of associated labor do not take action toward concluding a self-management accord or if they fail to conclude a self-management accord within the prescribed time limit, the Federal Executive Council may then enact regulations governing the conduct of foreign trade business transactions within a certain territorial jurisdiction or in terms of certain goods and services or governing other questions referred to in paragraph 1 of this article.

Organizations of associated labor must present the self-management accords which they conclude in accordance with paragraphs 1 and 2 of this article to the Federal Secretariat for Foreign Trade within a period of 8 days after the date on which said accord was concluded.

If the Federal Secretariat for Foreign Trade holds that the self-management accord concluded pursuant to paragraph 2 of this article runs counter to the provisions contained in article 75 of this law, it will so advise the Federal Executive Council, the Coordinating Committee attached to the Federal Executive Council, and the Economic Chamber of Yugoslavia within a period of 15 days after the date on which the self-management accord was received.

Organizations of associated labor must present the self-management accords referred to in this article to the Economic Chamber of Yugoslavia so that they may be officially recorded.

Article 75

If under the terms of the self-management accord specified in article 74 of this law organizations of associated labor which conduct foreign trade business transactions on a certain market or in terms of certain goods and services do not provide for the necessary degree of cooperation in the conduct of such transactions and thereby jeopardize the realization of the anticipated volume and structure of commodity trade with foreign countries and the implementation of trade and payments accords and other international agreements regulating foreign trade, the Federal Executive Council may act to prescribe the manner in which and the conditions under which such transactions are to be conducted.

Article 76

The Economic Chamber of Yugoslavia, acting in conjunction with the economic chambers of the republics and autonomous provinces and with the consent of the Federal Executive Council, is to pass a ruling which will regulate business relations with certain foreign firms and foreign physical persons which are engaged in foreign trade business activities.

The Economic Chamber of Yugoslavia, acting in conjunction with the economic chambers of the republics and autonomous provinces and with the consent of the Federal Executive Council, is to pass a ruling which will regulate the material working conditions of employees in organizations of associated labor at specific places of work in foreign countries in connection with the conduct of foreign trade business transactions,

6. The Role of Physical Persons in the Conduct of Export and Import Transactions

Article 77

Physical persons who are citizens of Yugoslavia may not engage in foreign trade activities,

Foreign physical persons may not engage in foreign trade activities in Yugoslavia,

Article 78

A physical person who is a citizen of Yugoslavia and a foreign physical person may import, bring in, or receive from abroad objects which are meant to be used to meet their personal needs and the personal needs of members of their immediate families, objects which are meant to be used to meet their household needs, and equipment and reproduction materials which are meant to be used to perform legally sanctioned activities based on their personal labor,

A physical person who is a citizen of Yugoslavia and a foreign physical person may export, take out, or send abroad any quantity of objects which are not intended for resale, unless otherwise provided for by law.

A foreign physical person may export, take out, or send from Yugoslavia to a foreign country any objects which have been acquired by right of inheritance free from the restrictions specified in paragraph 2 of this article, unless otherwise provided for by law.

The Federal Executive Council prescribes the detailed conditions and procedures governing the importation, bringing in and receiving from abroad or the exportation, taking out, and sending from Yugoslavia of objects in accordance with paragraphs 1 through 3 of this article,

7. Reporting Agreements on Completed Foreign Trade Business Transactions

Article 79

Organizations of associated labor and other legal persons which conduct foreign trade business transactions are required to file a report on a concluded agreement, within a prescribed time period which begins as of the date on which an agreement is concluded with a foreign contracting party, or a report on the abrogation of a previously valid agreement or on any other means by which an agreement is to be cancelled. A report on a concluded agreement and a report on the abrogation of a previously valid agreement or any other means by which an agreement is to be cancelled is filed with the national bank of the republic or the national bank of the autonomous province within whose jurisdiction is located the main office of an organization of associated labor or other legal person.

The national bank of a republic or the national bank of an autonomous province will refuse to accept a report on a concluded agreement if in light of the information contained in the report and accompanying documentation it determines that a concluded agreement on foreign trade is not in compliance with the law.

The decision of a national bank of a republic or of a national bank of an autonomous province to refuse to accept a report on a concluded agreement is final under the rules of administrative procedure.

Appeal procedure in an administrative dispute is expeditious.

Article 80

The acceptance of a report on a concluded agreement as specified in article 79 of this law by a national bank of a republic or by a national bank of an autonomous province does not relieve organizations of associated labor or other legal persons of any of their responsibilities insofar as it is subsequently determined that the law has been violated.

A report on a concluded agreement and a report on the abrogation of a previously valid agreement or on any other means by which an agreement is to be cancelled as specified in article 79 of this law are filed by the Federal Directorate for Trade in and the Stockpiling of Strategic Goods with the National Bank of Yugoslavia in the manner prescribed by this law.

Article 81

The federal secretary for foreign trade, acting in agreement with the National Bank of Yugoslavia, enacts detailed regulations governing procedures and time limits for filing the reports specified in article 79, paragraph 1 of this law.

The regulations specified in paragraph 1 of this article may by way of exception provide that in certain cases organizations of associated labor and other legal persons are not required to file a report on an agreement concluded for the purpose of rendering certain kinds of commercial services, trading in certain goods through the mails, and in other similar cases.

Article 82

In an agreement with foreign legal or physical persons organizations of associated labor are required to include clauses which will contain language that will provide for the effective execution of such an agreement, while also taking into account proper business practices, general and special usances, and the principles of fair trade, and protect their own interests and general public interests.

In addition to all of the essential factors that make up a contract (contract objective, prices, and so on), an agreement as specified in paragraph 1 of this article must also stipulate a time for the execution of obligations, appropriate assurances for the fulfillment of the contract terms, and all other factors which provide for the execution of the agreement.

An agreement as specified in paragraph 1 of this article must contain a stipulation as to who will be responsible for resolving any disputes that may arise and as to how the implementation of the arbitration clause will be provided for.

The Economic Chamber of Yugoslavia, acting in accord with the economic chambers of the republics and autonomous provinces, will determine the basic elements which must be contained in certain types of agreements which are concluded in the realm of foreign trade.

The Federal Executive Council, with the consent of the appropriate republic and provincial organs, where necessary enacts detailed regulations governing the implementation of the provisions contained in this article.

Article 83

In connection with the process of entering into agreements with foreign legal and physical persons organizations of associated labor may request the legal opinion of the Federal Public Defender's Office. The Federal Public Defender's Office is required to give its opinion within a period of 30 days after the date on which such a request is received.

If the Federal Public Defender's Office determines that the execution of contractual obligations under the terms of an agreement may be significantly prejudicial to the interests of an organization of associated labor, it will apprise the management of such an organization of its opinion and propose that it take steps which will prevent or minimize such prejudicial effects.

The Federal Executive Council may direct that organizations of associated labor are required, prior to entering into certain types of agreements or agreements which involve amounts of money in excess of a given value, to obtain the opinion of the Federal Public Defender's Office, in addition to determining the conditions under which and the manner in which the Federal Public Defender's Office will give its opinion.

Article 84

Organizations of associated labor and other legal persons which conduct foreign trade business transactions are required to notify the Federal Public Defender's Office of any legal proceedings which they or any of their subsidiaries in foreign countries intend to institute against a foreign citizen or foreign legal person as well as of any legal proceedings which a foreign citizen or foreign legal person intends to institute against them or against any of their subsidiary enterprises in foreign countries, regardless of whether such legal proceedings are conducted before a Yugoslav or foreign court of law, arbitration panel, or other organ.

Notice of intent to institute legal proceedings is filed no later than 30 days prior to the date on which such legal proceedings are scheduled to begin, and notification of legal proceedings instituted by a foreigner is made immediately upon receipt of the complaint and no later than 3 days after the date on which such a complaint was received. If owing to the danger that a claim in law will become invalid by virtue of a statute of limitations or that the time limit set by law for the filing of a complaint will elapse such a notice may not be served prior to the start of legal proceedings, an organization of associated labor or other beneficiary of socially owned property will institute such legal proceedings and simultaneously notify the Federal Public Defender's Office to this effect.

Such a notification will contain information as to the parties to the dispute, the reason for the dispute and the amount of money in controversy, the commercial or other context in which the dispute arose, the court of law or arbitration panel before which the dispute is to be litigated, and all evidence which may have an impact on the resolution of the dispute.

An organization of associated labor must notify the Federal Public Defender's Office of its decision to file for an appeal in due course or prior to the expiration of the period within which an appeal may be filed against a legal judgment or degree.

Adherence to Honorable Standards in the Conduct of Foreign Trade Transactions

Article 85

In the course of conducting foreign trade business transactions organizations of associated labor and their representatives are required to show due care for their own honor, the honor of other organizations of associated labor, and the honor of the Socialist Federal Republic of Yugoslavia in foreign countries.

Any action on the part of an organization of associated labor which runs counter to proper business practices, standards of good conscience, and general principles of fair trade as well as any action which neglects the moral and property interests of the social community is deemed to be an offense against the honor of such an organization of associated labor and against the honor of the Socialist Federal Republic of Yugoslavia in foreign countries.

An offense has been committed against the honor of an organization of associated labor and against the honor of the Socialist Federal Republic of Yugoslavia in particular insofar as an organization of associated labor in connection with the conduct of foreign trade transactions seriously violates its contractual obligations, insofar as it undertakes to fulfill its contractual obligations in an irresponsible manner, insofar as it enters into an agreement with a foreign buyer for the sale of goods which it cannot deliver, or insofar as it is in any way negligent in the conduct of its foreign trade business activities.

The Economic Chamber of Yugoslavia, acting in accord with the economic chambers of the republics and autonomous provinces, determines and promulgates in regard to the conduct of foreign trade transactions what is deemed to be contrary to proper business customs, standards of good conscience, and the general principles of fair trade as well as what actions are deemed to be neglectful of the moral and property interests of the social community.

Article 86

In accordance with article 5 of this law, a representative of an organization of associated labor is considered to be any employee, agent, and plenipotentiary of an organization of associated labor as well as any other person who on behalf of an organization of associated labor and in connection with its foreign trade business activities comes into contact with a foreign firm or foreign physical persons.

Forfeiture of the Right to Conduct Foreign Trade Transactions and Other Measures

Article 87

A coordinating committee attached to the competent republic organ or autonomous province organ may, under circumstances described in article 18 of this law, determine the time limit within which an organization of associated labor is required to comply with the conditions established by the coordinating committee in accordance with article 16 of this law.

If an organization of associated labor does not act to comply with such conditions within the period of time specified in accordance with paragraph 1 of this article, the coordinating committee attached to the competent republic organ or competent autonomous province organ will render a decision to abrogate the legally registered right of such an organization to conduct foreign trade business transactions.

The provisions of article 18 of this law apply in connection with the abrogation of the legally registered right of an organization of associated labor under the circumstances specified in paragraphs 1 and 2 of this article.

Under the circumstances specified in paragraph 2 of this article an organization of associated labor may complete foreign trade business transactions already begun or it may concede responsibility for such transactions to another organizations of associated labor registered to conduct foreign trade business transactions insofar as such transactions were concluded with a foreign firm and reported to a banking institution prior to the date on which its legally registered rights were abrogated.

Article 88

The Federal Secretariat for Foreign Trade may take action against an organization of associated labor by banning it from participating in the foreign trade transactions which it is otherwise legally registered to engage in:

- 1) if by the judgment a court of an appropriate jurisdiction in a republic or autonomous province it is convicted of an economic offense as specified in articles 97, 99, and 101 of this law;
- 2) if on more than two occasions in the course of the past 2 years it was convicted by a court of appropriate jurisdiction in a republic or autonomous province of an economic offense as determined by this law or by some other enactment which regulates the business activities of organizations of associated labor in foreign countries;
- 3) if on more than two occasions over the course of the past 2 years sanctions were imposed against it by the Court of Ethics attached to the Economic Chamber of Yugoslavia, the court of ethics attached to the economic chamber of a republic, or the court of ethics attached to the economic chamber of an autonomous province.

Sanctions banning the conduct of foreign trade business transactions as specified in paragraph 1 of this article may not be imposed after the expiration of 1 year and 6 months after the date on which notice is filed with the court of appropriate jurisdiction or with a court of ethics.

On the basis of an imposed sanction banning the conduct of foreign trade business transactions the court of appropriate jurisdiction renders a decision by means of which the legally registered right of an organization of associated labor to conduct foreign trade transactions is abrogated.

Article 89

In less serious cases as specified in article 88 of this law and in other cases whereby an organization of associated labor is convicted by the judgment of a court of appropriate jurisdiction of having committed an economic offense as determined by the law which regulates business relations

between an organization of associated labor and foreign countries or whereby any sanction is imposed against it by the Court of Ethics attached to the Economic Chamber of Yugoslavia, a court of ethics attached to the economic chamber of a republic, or a court of ethics attached to the economic chamber of an autonomous province, the Federal Secretariat for Foreign Trade may impose one or more of the following sanctions against an organization of associated labor:

- 1) a written reprimand coupled with a warning to the effect that if the case at issue recurs any of the sanctions specified in points 2 through 5 will be imposed against it. Such a reprimand is delivered to the management of the organization of associated labor;
- 2) to ban the conduct of certain types of foreign trade transactions if it is legally registered to conduct two or more types of foreign trade transactions;
- 3) to ban the exportation and importation of goods in certain fields of commerce if it is legally registered to export and import goods in two or more fields of commerce;
- 4) to ban the exportation and importation of certain kinds of products;
- 5) to ban exportation to and importation from certain markets (regions);
- 6) to recommend to its organs that they take action against the responsible party in light of the harm which said party has caused through his wrongdoing and that they notify the Federal Secretariat for Foreign Trade of the results of such action within a specified period of time.

The bans specified in points 2 through 5 of paragraph 1 of this article may remain in effect for a period of from 1 to 3 years. The term of such a ban begins as of the date on which the decision authorizing the imposed sanction is received.

The Federal Secretariat for Foreign Trade delivers the decision authorizing the imposition of any of the sanctions specified in points 2 through 5 of paragraph 1 of this article to the court of appropriate jurisdiction so that the imposed sanction may be recorded in the court registry. The Federal Secretariat for Foreign Trade also delivers such a decision to appropriate republic or provincial organs.

Article 90

The court of appropriate jurisdiction will deliver to the Federal Secretariat for Foreign Trade and to the appropriate republic or provincial organ the lawful judgement by means of which an organization of associated labor was declared to be convicted and penalized for an economic offense in consequence of any violation of the provisions of this law or other enactments which

regulate business relations between organizations of associated labor and foreign countries, and the Court of Ethics attached to the Economic Chamber of Yugoslavia, a court of ethics attached to the economic chamber of a republic, or a court of ethics attached to the economic chamber of an autonomous province will deliver the decree by means of which it has imposed any sanction within its jurisdiction.

Article 91

An organization of associated labor whose legally registered right to conduct foreign trade business transactions has been abrogated on the basis of sanctions imposed in accordance with articles 87, 88, and 102 of this law may not have its right reinstated in the registry of the appropriate court of record prior to the expiration of a period of 3 years after the date of abrogation.

Article 92

In circumstances as described in articles 88 and 89 of this law and prior to the handing down of a verdict by a court of appropriate jurisdiction or prior to the issuance of a decree by the Court of Ethics attached to the Economic Chamber of Yugoslavia, a court of ethics attached to the economic chamber of a republic, or a court of ethics attached to the economic chamber of an autonomous province, the Federal Secretariat for Foreign Trade may impose a sanction against an organization of associated labor calling for a provisional ban on the conduct of a specific foreign trade transaction insofar as a significant danger exists that such a transaction will cause unavoidable harm.

If it renders a decision by means of which a sanction is imposed calling for a provisional ban on the conduct of a specific foreign trade transaction in accordance with paragraph 1 of this article, the Federal Secretariat for Foreign Trade will file a report with the appropriate organ, doing so within a period of 15 days after the date on which such a provisional ban is imposed, for the purpose of instituting proceedings in the court of appropriate jurisdiction or in a court of ethics, and it may on its own accord file a complaint with the Court of Ethics attached to the Economic Chamber of Yugoslavia, a court of ethics attached to the economic chamber of a republic, or a court of ethics attached to the economic chamber of an autonomous province.

If the Federal Secretariat for Foreign Trade does not file a report as specified in paragraph 2 of this article or if the organ responsible for instituting proceedings in the court of appropriate jurisdiction or in a court of ethics rejects the report of the Federal Secretariat for Foreign Trade, a provisional ban is cancelled. If the Federal Secretariat for Foreign Trade fails to file a report within the time period indicated in paragraph 2 of this article or if an economic court or court of ethics determines that an organization of associated labor is not guilty, such

an organization of associated labor against which a sanction was imposed calling for a provisional ban on the conduct of a specific transaction may sue the Federal Secretariat for Foreign Trade for the damages which it suffered owing to the imposition of the provisional ban.

Penalty Provisions

1. Economic Offenses

Article 93

A monetary fine of from 30,000 to 1,000,000 dinars will be assessed against an organization of associated labor for an economic offense insofar as it proceeds without prior authorization to engage in foreign trade business transactions for the conduct of which it is not legally registered with the appropriate court of record (article 22, paragraph 1).

A person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 1,500 to 30,000 dinars.

Article 94

A monetary fine of from 30,000 to 1,000,000 dinars will be assessed against an organization of associated labor for an economic offense:

- 1) insofar as it fails to abide by regulations enacted by the Federal Executive Council pursuant to articles 26, 30, 31, 36, 38, 51, 62, 65, 66, 67, 68, 70, 74, 75, 78, and 83 of this law;
- 2) insofar as it completes a transaction involving the exportation or importation of narcotic drugs without the prior permission of the Federal Secretariat for Foreign Trade (article 29);
- 3) if it imports capital goods on the basis of direct purchase contrary to the provisions of article 35 of this law;
- 4) insofar as it exports or imports armaments and military equipment contrary to the provision contained in article 37, paragraph 2 of this law;
- 5) insofar as while engaging in trade transactions involving exports and imports it enters into an agreement with a foreign firm for the purchase or sale of goods on behalf of a third party account without previously concluding an agreement in Yugoslavia as to the quantity of goods which are supposed to be purchased or sold in a foreign country (article 45, paragraph 1);
- 6) insofar as it exports or imports goods without payment in cash or without payment in kind of equivalent value contrary to any regulation enacted pursuant to article 53 of this law;

7) insofar as an agreement on the representation of a foreign firm is not made in writing or insofar as such an agreement is not delivered to the Economic Chamber of Yugoslavia so that it may be officially recorded (article 65, paragraph 3);

8) insofar as in the course of conducting foreign trade business transactions it does not abide by the resolutions, decrees, or rulings enacted pursuant to the provisions of articles 73 and 76 of this law;

9) insofar as contrary to the provisions of article 77 of this law it enters into a commercial relationship with a Yugoslav physical person or with a foreign physical person;

10) insofar as in the course of conducting foreign trade transactions it acts in a manner that is detrimental to its own honor, the honor of other organizations of associated labor, or the honor of the Socialist Federal Republic of Yugoslavia in foreign countries (article 85).

A person in an organization of associated labor who is responsible for any of the actions specified under paragraph 1 of this article will be assessed a monetary fine of from 1,500 to 30,000 dinars.

Article 95

A foreign firm will be assessed a monetary fine of from 30,000 to 1,000,000 dinars for an economic offense insofar as it fails to abide by regulations enacted pursuant to article 70 of this law.

A person in a foreign firm who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of 30,000 dinars.

Article 96

An organization of associated labor will be assessed a monetary fine of from 30,000 to 1,000,000 dinars for an economic offense insofar as it conducts foreign trade business transactions without having pooled labor and resources in association with industrial and other organizations of associated labor under circumstances as defined in article 8, paragraph 1 of this law and as stipulated by regulations enacted pursuant to said article.

Any person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 1,500 to 30,000 dinars.

Article 97

An organization of associated labor will be assessed a monetary fine of from 30,000 to 1,000,000 dinars for an economic offense:

- 1) insofar as it fails to specify the professional qualifications and other conditions which must be met by workers possessing special authorizations and responsibilities as well as the professional qualifications and other conditions which must be met by other workers which perform tasks and duties related to the conduct of foreign trade business transactions (article 13);
- 2) insofar as it completes a transaction involving the importation of plant equipment which is being imported on the basis of a commodity quota, foreign exchange quota, or license without obtaining the prior consent of the Federal Committee for Energetics and Industry (article 34, paragraph 1);
- 3) insofar as it completes a transaction involving the importation of raw materials and reproduction materials whose importation is regulated without obtaining the prior consent of the Federal Secretariat for Foreign Trade (article 34, paragraph 2);
- 4) insofar as it fails to abide by regulations governing the purchase of plant equipment abroad and its direct delivery to a foreign country for the purpose of completing work on delivered plant equipment or a complete capital construction facility in a foreign country (article 36);
- 5) insofar as it carries on export or import business activities without benefit of a preliminary auction or without benefit of the preliminary gathering of offers from a specified minimum number of bidders in cases where such auctions or the gathering of such offers is prescribed by law (article 40), or insofar as it fails to allow domestic producers to participate in auctions or to tender offers, or insofar as it proceeds to act in a manner contrary to the provisions of article 41, paragraphs 2 and 3 of this law;
- 6) insofar as it fails to abide by regulations governing import and export transactions which are conducted as reciprocity transactions and service transactions in connection with the physical enhancement of goods (article 43);
- 7) insofar as it fails to abide by regulations governing the procedures and conditions under which agreements may be entered into for the granting and acquisition of patents, licenses, models, brands, and so on in foreign countries, agreements on commercial and technical cooperation with foreign countries, or agreements on long-term industrial cooperation with foreign countries (article 44);
- 8) insofar as it fails to abide by regulations governing the exportation and importation of goods and services in border district and maritime commerce with neighboring countries (article 47).

Any person in an organization of associated labor who is responsible for any of the actions specified under paragraph 1 of this article will be assessed a monetary fine of from 1,500 to 30,000 dinars.

Article 98

An organization of associated labor will be assessed a monetary fine of from 30,000 to 1,000,000 dinars for an economic offense insofar as it proceeds to act in a manner contrary to the provision of article 82 of this law and contrary to the regulations enacted pursuant to paragraph 5 of said article.

Any person in an organization of associated labor who is responsible for any action as specified in paragraph 1 of this article will be assessed a monetary fine of from 1,000 to 30,000 dinars.

An organization of associated labor and any individual in question will not be penalized for an economic offense as specified in paragraph 1 of this article if it is determined that through no fault of their own there has been a change in the circumstances under which an agreement was originally concluded.

Article 99

An organization of associated labor will be assessed a monetary fine of from 10,000 to 500,000 dinars for an economic offense insofar as it engages without authorization in any preliminary or preparatory work connected with foreign trade transactions and is not registered with an appropriate court of record (article 22, paragraph 2).

Any person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 1,000 to 20,000 dinars.

Article 100

An organization of associated labor will be assessed a monetary fine of from 5,000 to 500,000 dinars for an economic offense insofar as it fails to make provisions in a sales agreement for the obligation of a foreign buyer to provide a statement in confirmation of the fact that said buyer will be the ultimate user of exported goods in the country of destination as stipulated by the regulations specified in article 52 of this law.

Any person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 1,000 to 25,000 dinars.

Article 101

Property interests acquired through an economic offense by an organization of associated labor or foreign firm will be confiscated.

Article 102

With regard to the economic offenses provided for in articles 93 and 94 of this law an economic court may impose preventive sanctions against an organization of associated labor banning it from engaging in one or more forms of foreign trade transactions.

With regard to the economic offenses specified in paragraph 1 of this article an economic court may, in addition to a monetary fine, impose a sanction against any responsible person banning said person from performing work duties at workplaces where foreign trade business transactions are conducted.

An economic court may not impose a preventive sanction as specified in paragraph 1 of this article if the affected category of foreign trade transactions is the sole business activity of the organization of associated labor in question.

2. Misdemeanors

Article 103

An organization of associated labor which conducts foreign trade business transactions will be assessed a monetary fine of from 5,000 to 50,000 dinars for a misdemeanor insofar as it delegates responsibility for the conduct of foreign trade business transactions to a person convicted of any of the crimes specified in article 112 of this law or to a person convicted of an economic offense as specified in articles 93, 94, 95, 96, and 97 of this law.

Any person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 500 to 5,000 dinars.

Article 104

An organization of associated labor will be assessed a monetary fine of from 5,000 to 30,000 dinars for a misdemeanor insofar as it conducts foreign trade business transactions without recourse to the services of workers who possess special authorizations and responsibilities and of other workers required for the conduct of foreign trade business transactions or insofar as its workers with special authorizations and responsibilities and other workers who perform tasks and duties related to the conduct of foreign trade business transactions do not possess the professional qualifications which are required by law in order to conduct such transactions (article 13).

Any person in an organization of associated labor who is responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 500 to 3,000 dinars.

Article 105

An organization of associated labor will be assessed a monetary fine of from 5,000 to 30,000 dinars for a misdemeanor insofar as it fails to notify the coordinating committee attached to the competent republic or autonomous province organ of the fact that it is no longer in compliance with any of the conditions specified in article 16 of this law, doing so within a period of 8 days after the date on which said compliance has ended.

Any person in an organization of associated labor who is found to be responsible for any action as specified in paragraph 1 of this article will be assessed a monetary fine of from 500 to 3,000 dinars.

Article 106

An organization of associated labor will be assessed a monetary fine of from 5,000 to 30,000 dinars for a misdemeanor insofar as, in accordance with article 23 of this law, it fails to deliver to the appropriate republic or provincial organ and to the Federal Secretariat for Foreign Trade a certified copy of the ruling attesting to the completion of registration in the country registry or to the effectuation of amendments to said registration.

Any person in an organization of associated labor who is found to be responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of from 500 to 3,000 dinars.

Article 107

An organization of associated labor will be assessed a monetary fine of from 5,000 to 30,000 dinars for a misdemeanor insofar as it fails to give notice within the prescribed time period pursuant to the provision of article 84 of this law.

Any person in an organization of associated labor who is found to be responsible for the misdemeanor specified in paragraph 1 of this article will be assessed a monetary fine of up to 1,000 dinars.

Article 108

A Yugoslav physical person or a foreign physical person will be assessed a monetary fine of from 5,000 to 50,000 dinars for a misdemeanor insofar as they engage in foreign trade transactions.

A Yugoslav physical person or a foreign physical person will be assessed a monetary fine of up to 10,000 dinars for a misdemeanor insofar as they import, bring in, or receive from abroad or export, take out, or send out from Yugoslavia objects contrary to the provision contained in article 78 of this law or insofar as they fail to abide by any regulation enacted pursuant to said article.

Article 109

An organization of associated labor or other legal person will be assessed a monetary fine of up to 10,000 dinars insofar as within the prescribed time period they fail to file a report on a concluded agreement or a report on the abrogation of a previously valid agreement or on any other means by which a valid agreement with a foreign contracting party is to be cancelled or insofar as they file a report on a concluded agreement which contains incorrect information.

Any person in an organization of associated labor or associated with any other legal person who is found to be responsible for an action as specified in paragraph 1 of this article will be assessed a monetary fine of up to 1,000 dinars.

Article 110

Any object and property interest acquired through a misdemeanor will be confiscated from the perpetrator of such a misdemeanor.

Article 111

Misdemeanor court proceedings dealing with the misdemeanors specified under this law are conducted in the first instance by the Federal Foreign Exchange Inspectorate.

An appeal against a ruling of the Federal Foreign Exchange Inspectorate is heard by the Federal Secretariat for Finance.

3. Legal Consequences of Adjudication

Article 112

Persons who have been sentenced to an unconditional term of imprisonment for having committed a premeditated crime against the basic principles of the socialist self-management social system and the security of the SFRJ, against the economy of the SFRJ, against self-management rights, against socially owned property, or in violation of an official trust may not be employed to perform tasks and duties related to the conduct of foreign trade business transactions in an organization of associated labor which is legally registered with an appropriate court of record to engage in foreign trade business transactions.

The ban specified in paragraph 1 of this article remains in effect for a period of 5 years after the date on which said sentence is commuted or served out.

The provisions specified in paragraphs 1 and 2 of this article do not apply to persons sentenced to a period of probation or to persons sentenced to pay a monetary fine.

Article 113

An organization of associated labor which is legally registered with an appropriate court of record to engage in foreign trade business transactions may not delegate responsibility for the performance of tasks and duties related to such transactions to persons who have been convicted of an economic offense as specified in article 94 of this law or against whom, pursuant to regulations governing foreign exchange business transactions, sanctions have been imposed banning them from performing tasks and duties involving foreign exchange business transactions.

The ban specified in paragraph 1 of this article remains in effect for a period of 3 years after the date on which such a verdict becomes legally valid.

Transitional and Concluding Provisions

Article 114

An organization of associated labor which on the date when this law goes into effect was legally registered with an appropriate court of record to engage in foreign trade business transactions is required to bring its registration to engage in such transactions into conformity with the provisions of this law, doing so within a period of 1 year after the date on which this law goes into effect.

If after this law goes into effect an organization of associated labor loses the right to conduct certain kinds of foreign trade transactions, it may complete those transactions already in process or concede the right to do so to another organization of associated labor registered to engage in foreign trade business transactions insofar as prior to the date when this law goes into effect it has concluded a valid agreement with a foreign firm and reported said agreement to a banking institution.

Article 115

Self-management accords and social compacts concluded in accordance with articles 24, 53c and 54 of The Law on Trade in Goods and Services With Foreign Countries (SLUZBENI LIST FNRJ No 27/62 and SLUZBENI LIST SFRJ Nos 14/65, 28/66, 54/67, 15/71, 29/71, and 26/72) will be brought into conformity with the provisions of this law and the regulations enacted pursuant to this law within a period of 1 year after the date on which this law goes into effect.

Article 116

Regulations and other rulings affecting foreign trade which have been enacted by the Federal Executive Council and federal administrative organs prior to the date on which this law goes into effect will be brought into conformity with the provisions of this law within a period of 3 months after the date on which this law goes into effect.

Article 117

Organizations of associated labor which prior to the date on which this law goes into effect are legally registered with an appropriate court of record to engage in foreign trade business transactions are required to deliver to the organs specified in article 23 of this law a certified copy of the court ruling on said registration, doing so within a period of 3 months after the date on which this law goes into effect.

Article 118

The rights and duties which pursuant to the provisions of this law are vested in the Coordinating Committee attached to the Federal Executive Council or in the coordinating committees attached to the competent republic or autonomous province organs are exercised, until such time as the aforementioned coordinating committees are established or no later than 1 January 1978, by the Federal Secretariat for Foreign Trade or by an appropriate republic or autonomous province organ.

Article 119

The Law on Trade in Goods and Services With Foreign Countries (SLUZBENI LIST FNRJ No 27/62 and SLUZBENI LIST SFRJ Nos 14/65, 28/66, 54/67, 15/71, 29/71, and 26/72) will be rendered null and void as of the date on which this law goes into effect, with the exception of the provisions contained in articles 1a, 37, 37a, 37b, and 37e of the aforementioned law which will be rendered null and void on 1 January 1978.

Article 120

The provisions contained in articles 26, 27, 28, 30, and 31 of this law will be implemented as of 1 January 1978.

Article 121

This law goes into effect on the eighth day after the date of its publication in SLUZBENI LIST SFRJ.

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LAW ON FOREIGN BUSINESS VENTURES PUBLISHED

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[Law on the Conduct of Business Activities in Foreign Countries]

[Text]

Basic Provisions

Article 1

Pursuant to this law, the conduct of business activities in foreign countries is defined as the founding of enterprises in foreign countries, the founding of banks and other financial institutions in foreign countries, the founding of insurance and reinsurance organizations in foreign countries, the investment of assets in foreign enterprises, the conduct of business activities in foreign countries through commercial entities, the establishment and operation of joint commercial representations in foreign countries, the delegation of responsibility for the conduct of business activities to foreign firms, and the conduct of other forms of business activities as provided for by this law.

Article 2

The business activities specified in article 1 of this law may be pursued by basic and other organizations and associated labor which are registered to engage in foreign trade (hereafter: "organizations of associated labor") unless otherwise provided for by this law.

Article 3

Organizations of associated labor may conduct business activities in foreign countries with a view to the realization of individual and joint business objectives, the advancement of joint production ventures, long-term industrial collaboration and long-term commercial and technical cooperation, the acquisition of raw materials, the achievement of greater labor productivity

through incorporation into the international division of labor, the achievement of positive business results with regard to the realization of earnings, and with a view to the development and advancement of a common policy on economic relations with foreign countries and the development of a uniform and coordinated approach to the conduct of business activities in foreign countries.

Article 4

Organizations of associated labor, being guided by the pursuit of their own economic interests, freely arrive at their own decisions concerning the conduct and the forms of business activities in foreign countries, on the basis of the provision of this law and other enactments.

Workers employed in an organization of associated labor are responsible for arriving at decisions through the self-management process concerning the conduct of and the forms of business activities in foreign countries.

Article 5

Organizations of associated labor which are engaged in export and import transactions or in other forms of foreign trade business transactions and which by law are required to combine labor and resources in association with industrial and other organizations of associated labor conduct business activities in foreign countries in conformity with a self-management accord on the pooling of labor and resources or an agreement on joint cooperation.

Article 6

The rights and resources which an organization of associated labor acquires through the conduct of business activities in foreign countries are an integral part of the social resources subject to the control of the workers employed in such an organization of associated labor.

Workers in an organization of associated labor whose places of work are located in foreign countries enjoy the same rights, duties, and responsibilities as do those workers in the same organization of associated labor whose places of work are located in Yugoslavia, in accordance with the regulations, self-management accord, statutes, and other self-management general rulings enacted by such an organization of associated labor.

Article 7

The provisions of the Law on Trade in Goods and Services With Foreign Countries which apply to the establishment and operations of the coordinating committees for organizations of associated labor engaged in foreign trade attached to the competent republic or autonomous province organs (hereafter: "coordinating committee attached to the competent official organs of a republic or autonomous province") and the Coordinating Committee for Organizations of Associated Labor Engaged in Foreign Trade attached

to the Federal Executive Council (hereafter: "the Coordinating Committee attached to the Federal Executive Council") also apply correspondingly to the conduct of business activities in foreign countries pursuant to this law.

Article 8

In the course of conducting business activities in foreign countries organizations of associated labor and workers in an organization of associated labor whose places of employment are located in foreign countries are required to abide by proper business customs and the general principles of fair trade and to be mindful of the interests and honor of the Socialist Federal Republic of Yugoslavia in foreign countries.

The Economic Chamber of Yugoslavia determines and promulgates in regard to the conduct of business activities in foreign countries what is deemed to be contrary to proper business customs and the general principles of fair trade.

Types of Business Activities Conducted in Foreign Countries

1. The Founding of Enterprises in Foreign Countries

Article 9

Organizations of associated labor may found enterprises in foreign countries.

Enterprises are founded in foreign countries with a view to increasing exports of goods and services from Yugoslavia, improving and developing production and joint production ventures, importing goods and services for purposes of economic development, the advancement of long-term industrial collaboration and long-term commercial and technical cooperation, exchanges of scientific and technical-technological know-how, and the realization of other economic interests.

Article 10

An organization of associated labor may found an enterprise in a foreign country of its own accord or in association with other organizations of associated labor or foreign legal or physical persons.

Article 11

In terms of the assets invested by organizations of associated labor enterprises which are founded in foreign countries may be:

1. Enterprises which are founded exclusively through the investment of assets at the disposal of organizations of associated labor (hereafter: "wholly-owned enterprises");

2. Enterprises which are founded through the investment of assets at the disposal of organizations of associated labor and assets at the disposal of foreign legal or physical persons (hereafter: "joint venture enterprises").

An organization of associated labor may found an enterprise in a foreign country which is accountable for its liabilities solely in terms of the resources invested in such an enterprise or in an amount set under the terms of a limited guaranty.

Article 12

In order to found an enterprise in a foreign country organizations of associated labor may have recourse to:

1. Foreign exchange and dinar funds, in accordance with the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries;
2. Revenues realized within an enterprise located in a foreign country, in accordance with the provisions of this law;
3. Foreign exchange funds acquired on credit through an enterprise founded in a foreign country;
4. Plant equipment, patent, license, and technical advancement rights, and other rights which constitute a capital asset as expressed in terms of monetary value;
5. The value of capital construction projects carried out in foreign countries and other rights as expressed in terms of monetary value.

Article 13

If several organizations of associated labor jointly found a wholly-owned or joint venture enterprise in a foreign country, such organizations of associated labor qua founders of such an enterprise in a foreign country enter into a self-management accord which regulates their mutual relations, accreditation rights as business representatives and agents, rights and duties vis-a-vis a business enterprise, the goals of founding a business enterprise, the type of business activity to be pursued by the enterprise, operational control and supervision, apportionment of founder's equity, the method of profit distribution, transfer of profits to Yugoslavia, conditions governing the reduction and withdrawal of assets, closure of a business enterprise, and other conditions related to the operations of a business enterprise in a foreign country.

Article 14

In order to found an enterprise in a foreign country an organization of associated labor is required to secure prior authorization which is granted

by the federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the federal administrative organ responsible for financial affairs and of other federal administrative organs responsible for the economic sphere within which the founders of a business enterprise in a foreign country will be conducting their activities.

If an enterprise located in a foreign country is being founded for the purpose of producing, reconditioning, and trading in armaments and military equipment, the granting of the authorization specified in paragraph 1 of this article is also contingent upon obtaining the opinion of the federal administrative organ responsible for national defense affairs.

Article 15

An organization of associated labor files an application for authorization to found a wholly-owned enterprise in a foreign country with the federal administrative organ responsible for foreign trade affairs through a competent official organ in a republic or autonomous province.

Together with such an application an organization of associated labor is required to subjoin:

1. The decision arrived at by the appropriate organ responsible for the management of the operations and business transactions of the organization of associated labor (hereafter: "decision of the appropriate management organ"), in conformity with the self-management accord on incorporation, the statutes, and other self-management general rulings of the organization of associated labor, concerning the foundation of an enterprise in a foreign country, the type of business activity to be pursued by an enterprise in a foreign country, the business activities program together with financial reports and a memorandum on the economic justifications for founding an enterprise in a foreign country, and the commitment pledging that a certain percentage of annual profits will be transferred to Yugoslavia;
2. A draft of the statutes and bylaws governing the organization and operations of an enterprise in a foreign country, including the original draft and a certified translation thereof;
3. An excerpt from the operative legislation of the country in which an enterprise is to be founded, in a certified translation, and a confirmation issued by the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia in said country together with its opinion as to the legality of founding such an enterprise, its legal status, and the prospects for profit transfer and the realization of returns on invested assets;
4. The confirmation of a banking institution to the effect that the investment capital specified in article 12, items 1 through 3 of this law

(founder's equity) is secured or the confirmation of the appropriate social accountancy service as to the book value of the assets specified in article 12, item 4 of this law which are to be used as a founder's equity contribution, in accordance with the law;

5. Documenting proof that provisions have been made for the professional control and supervision of the material and financial operations of an enterprise in a foreign country;

6. The opinion of the coordinating committee attached to the competent republic or autonomous province organ of the republic or autonomous province within whose territorial jurisdiction is located the main office of organization of associated labor as to the desirability of founding an enterprise in a foreign country;

7. The attestation of the coordinating committee attached to the competent official organ of the republic or autonomous province within whose territorial jurisdiction is located the main office of the organization of associated labor to the effect that workers possessing special authorizations and responsibilities and other professional workers assigned to enterprises located abroad are in compliance with the conditions governing the performance of such tasks or duties.

Together with its application for authorization to found a joint venture enterprise in a foreign country, in addition to the documents specified in paragraph 2 of this article, an organization of associated labor is also required to subjoin a draft of the agreement which it intends to conclude with a foreign partner on the founding of a joint venture enterprise, in the original text and in certified translation, and a report on the credit rating of the foreign partner obtained from the Economic Chamber of Yugoslavia.

If several organizations of associated labor jointly found a wholly-owned or joint venture enterprise in a foreign country, in addition to the applications and documents specified in paragraphs 1, 2, and 3 of this article, such organizations of associated labor are also required to subjoin a self-management accord (article 13).

The documents specified in this article constitute official secrets.

Article 16

An organization of associated labor which is founding an enterprise in a foreign country which will be engaged in commercial activities is required, together with its application for authorization and in addition to the documents specified in article 14 of this law, to subjoin a statement in writing pledging that of the total annual turnover realized by said enterprise the greater volume of said turnover will be realized by means of exports of goods and services from Yugoslavia.

Detailed regulations relative to the implementation of the provision contained in paragraph 1 of this article are enacted by the Federal Executive Council, with the consent of appropriate republic and provincial organs. Such regulations may make provisions stipulating in which circumstances the scope of the pledge specified in paragraph 1 of this article may be reduced for the benefit of an enterprise founded in a foreign country.

Article 17

Upon receipt of the application and documents specified in articles 15 and 16 of this law, the federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the organ specified in article 14 of this law, will grant authorization for the founding of an enterprise in a foreign country insofar as the Coordinating Committee attached to the Federal Executive Council has judged that, in accordance with established policy on the advancement of economic relations with foreign countries, the guidelines and regulations enacted pursuant to the implementation of said policy, and the security interests of the SFRJ, it is desirable to found such an enterprise in a foreign country.

If an organization of associated labor fails to found an enterprise in a foreign country within a period of 9 months after the date on which the authorization specified in paragraph 1 of this article is granted, said authorization is rendered null and void.

Article 18

The federal administrative organ responsible for foreign trade affairs, acting in accord with the federal administrative organ responsible for financial affairs and within bounds established by the Federal Executive Council, with the consent of the appropriate republic and provincial organs, may, pursuant to article 15, paragraph 2, item 1 of this law, set a minimum profit percentage which an organization of associated labor must transfer to Yugoslavia.

Article 19

An organization of associated labor is also required to obtain the authorization specified in article 14 of this law in the event that it increases its founder's equity interest in an enterprise founded in a foreign country.

An organization of associated labor is required to subjoin to its application for authorization as specified in paragraph 1 of this article the documents specified in article 15, paragraph 2, items 1, 4, and 6 of this law in connection with the increase in its equity interest.

Article 20

An organization of associated labor whose enterprise founded in a foreign country founds a new enterprise in a foreign country is required to proceed

to act in accordance with the provisions contained in articles 14 through 15 and article 22 of this law.

Article 21

An organization of associated labor which buys out an equity interest in an enterprise in a foreign country is required to proceed to act in accordance with the provisions contained in articles 14 through 16 and article 22 of this law.

Article 22

An organization of associated labor is required, acting within a period of 30 days after the date on which all transactions are completed in a foreign country in connection with the founding of an enterprise in a foreign country, to file an application for the registration of an enterprise located in a foreign country in the registry of enterprises in foreign countries maintained by the federal administrative organ responsible for foreign trade affairs (hereafter: "registry of enterprises in foreign countries").

In addition to the application specified in paragraph 1 of this article, an organization of associated labor is required to file:

1. A document attesting to the completion of the registration of an enterprise founded in a foreign country in the registry maintained in said country by an appropriate official national organ and the certified statutes of an enterprise founded in a foreign country in their original version and in certified translation;
2. The confirmation of a banking institution, insofar as an enterprise is founded in a foreign country through the issuance of stock certificates, attesting to the fact that stock shares in invested assets are on deposit with an authorized banking institution in Yugoslavia or the confirmation of the national bank of a republic or autonomous province within whose territorial jurisdiction is located the main office of the organization of associated labor qua founder of an enterprise in a foreign country attesting to the fact that on its express authorization stock shares are on deposit with a foreign bank;
3. Documented proof of the fact that the rights of an organization of associated labor which founds an enterprise in a foreign country are secured in connection with the disposition of assets invested in such a foreign country (as evidenced by a court certified agreement, bills of exchange, other securities, and so on) insofar as it is provided under the law of such a foreign country that several persons are founding such an enterprise, and a physical person is registered as holding title to invested assets.

The stock certificates on deposit with banking institutions as specified in paragraph 2, item 2 of this article may only be disposed of by those workers in an organization of associated labor who are authorized to do so by the appropriate management organ of such an organization of associated labor. The banking institution which holds such stock certificates on deposit must be furnished with a record of such authorization. Authorized principals who are responsible for the disposition of stock certificates may not at the same time be persons who, pursuant to the authorization of a principal, are responsible for the issuance and control of such stock certificates.

The national bank of a republic or the national bank of an autonomous province within whose territorial jurisdiction is located the main office of an organization of associated labor may, insofar as business transactions with a foreign country so require, authorize an organization of associated labor to utilize the stock certificates on deposit with a banking institution as specified in paragraph 2, item 2 of this article for special purposes.

Together with the application for the registration of a joint venture enterprise in a foreign country in the registry specified in paragraph 1 of this article and in addition to the documents specified in paragraph 2 of this article, an organization of associated labor is also required to file a record of the agreement concluded with its foreign partner (article 15, paragraph 3).

The following entries are made in the registry specified in paragraph 1 of this article: the firm, name, and main office location of an organization of associated labor which founds an enterprise in a foreign country, the firm, main office location, and business activity of an enterprise founded in a foreign country, and the amount of invested assets.

In the case of a joint venture enterprise founded in a foreign country, in addition to the data specified in paragraph 6 of this article, entries must also be made in the registry specified in paragraph 1 of this article as to the firm and main office location of a foreign partner and the amount of assets by means of which such a partner participates in the founding of a joint venture enterprise.

The federal administrative organ responsible for foreign trade affairs issues ruling attesting to registration in the registry of enterprises located in foreign countries.

Article 23

Insofar as any of the documents or facts specified in article 15 of this law or any of the data entered into the registry of enterprises located in foreign countries may be the subject of future amendments, an organization of associated labor is required, acting within a period of 60 days after the date on which such amendments become effective, to so notify,

through a competent republic or autonomous province organ, the coordinating committee attached to the competent official organ of a republic or autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and the federal administrative organ responsible for foreign trade affairs so that said amendments may be recorded in the registry of enterprises located in foreign countries.

Article 24

The profits which are realized by an organization of associated labor in a wholly-owned enterprise and the profits which accrue to an organization of associated labor by virtue of the distribution of profits within a joint venture enterprise may be used by an organization of associated labor, after the settlement of outstanding debts (article 15, paragraph 2, item 1) and other liabilities stemming from appropriate legislation of the host country, for the following purposes:

1. To increase the founder's equity interest in the enterprise in a foreign country through which such profits are realized;
2. To grant credits (for working capital and so on) to the enterprise in a foreign country through which such profits are realized or to another of its enterprises in a foreign country, in accordance with regulations governing foreign exchange transactions and credit relations with foreign countries;
3. To found new enterprises or to buy out the founder's equity interest of an enterprise in the country where such profits are realized or in some other country;
4. To repay foreign exchange credits used to found an enterprise in a foreign country;
5. For other purposes in accordance with regulations governing foreign exchange transactions and credit relations with foreign countries.

Until such time as they are utilized, the profits specified in paragraph 1 of this article are placed by an organization of associated labor in a foreign exchange bank account in Yugoslavia or in a foreign bank account subject to the authorization of the national bank of a republic or the national bank of an autonomous province within whose territorial jurisdiction its main office is located, in accordance with the general conditions governing such transactions as imposed by the National Bank of Yugoslavia.

The certain percentage of profits which it is pledged to transfer to Yugoslavia (article 15, paragraph 2, item 1) is placed by an organization of associated labor in a foreign exchange bank account in Yugoslavia and used for the purposes specified in paragraph 1 of this article.

Insofar as the profits specified in paragraph 1 of this article are used to found a new enterprise in a foreign country or to buy out the founder's equity interest of an enterprise in a foreign country, an organization of associated labor is required to proceed to act in accordance with articles 14, 15, 16, and 22 of this law.

Insofar as the profits specified in paragraph 1 of this article are used for re-investment (to increase equity interest), an organization of associated labor is required to proceed to act in accordance with article 19 of this law.

Article 25

An organization of associated labor is required to transfer a certain percentage of the profits specified in article 15, paragraph 2, item 1 of this law to Yugoslavia within a period of 30 days after the date on which an appropriate official organ of the host country accepts and verifies the financial statement of an enterprise founded in a foreign country.

If in accordance with articles 14, and 19 through 21 of this law and other legislation an organization of associated labor does not receive authorization to utilize the profits specified in article 24, paragraph 1 of this law, it is required to transfer such profits to Yugoslavia within a period of 30 days after the date on which it is served with the ruling by authority of which such authorization is denied.

Article 26

The decision to close out a wholly-owned enterprise founded in foreign country is made by an appropriate management organ.

The decision to close out a wholly-owned enterprise founded in a foreign country jointly by several organizations of associated labor is made by an appropriate management organ in conformity with the self-management accord concluded pursuant to article 13 of this law.

An organization of associated labor is required to furnish the federal administrative organ responsible for foreign trade affairs with a certified copy of the decision specified in paragraphs 1 and 2 of this article, doing so within a period of 30 days after the date on which such a decision is made.

Insofar as a wholly-owned enterprise founded in a foreign country is closed out, an organization of associated labor is required to initiate liquidation proceedings for the disposition of such an enterprise and to transfer to Yugoslavia in cash or kind all assets which have accrued to it at the conclusion of such proceedings, doing so within a period of 90 days after the date on which such proceedings are concluded.

Insofar as a wholly-owned enterprise founded in a foreign country becomes the subject of bankruptcy proceedings, an organization of associated labor is required to transfer to Yugoslavia in cash or in kind all assets which have accrued to it at the conclusion of such bankruptcy proceedings, doing so within a period of 90 days after the date on which such proceedings are concluded.

Insofar as a joint venture enterprise founded in a foreign country is closed out or goes into bankruptcy, an organization of associated labor is required to transfer to Yugoslavia in cash or in kind all assets which have accrued to it at the conclusion of liquidation or bankruptcy proceedings, doing so within a period of 90 days after the date on which such proceedings are concluded.

Article 27

A decision to reduce invested assets, to withdraw invested assets, or to effect other status changes in a wholly-owned or joint venture enterprise founded in a foreign country is made by an appropriate management organ.

Insofar as an organization of associated labor reduces the assets which it has invested in an enterprise founded in a foreign country, it is required to clear its outstanding financial and material accounts in such an enterprise and to transfer to Yugoslavia in cash or in kind all assets which have accrued to it on the basis of such a settlement, doing so within a period of 90 days after the date on which such a settlement is reached.

Insofar as an organization of associated labor withdraws the assets which it has invested in an enterprise founded in a foreign country, it is required to make a final settlement of all outstanding financial and material accounts with such an enterprise and to transfer to Yugoslavia in cash or in kind all assets which have accrued to it by reason of such a final settlement, doing so within a period of 90 days after the date on which such a final settlement is reached.

Article 28

An organization of associated labor is required, acting within a period of 60 days after the date on which a financial statement of liquidation or bankruptcy is accepted by an appropriate management organ, to present such a financial statement to the appropriate national bank of a republic or to the appropriate national bank of an autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and to the social accountancy service and to notify thereof the federal administrative organ responsible for foreign trade affairs, which will then issue a ruling revoking the authorization to found an enterprise in a foreign country and delete said enterprise from the registry of enterprises in foreign countries.

In the event of a reduction of assets invested in an enterprise founded in a foreign country, an organization of associated labor is required to present a record of the settlement of financial and material accounts, subsequent to the receipt of such a settlement from an appropriate management organ and within a period of 60 days after the date on which such settlement is received, to the national bank of the republic or the national bank of the autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and to the social accountancy service and to notify thereof the federal administrative organ responsible for foreign trade affairs so that appropriate amendments may be entered in the registry of enterprises in foreign countries.

In the event of a withdrawal of assets invested in an enterprise founded in a foreign country, an organization of associated labor is required to present a record of the final settlement of all outstanding financial and material accounts, after such a settlement has been received from an appropriate management organ and within a period of 60 days after the date on which such a settlement is received, to the national bank of the republic or to the national bank of the autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and to the social accountancy service and to notify thereof the federal administrative organ responsible for foreign trade affairs, which will then issue a ruling on the abrogation of its ownership interest in a foreign business enterprise.

Article 29

An organization of associated labor disposes of the assets specified in articles 26 and 27 of this law as follows:

1. Foreign exchange assets, up to the total amount of invested assets (founder's equity), are returned to the funding sources from which they were originally obtained;
2. Foreign exchange assets in excess of the total amount of invested assets (founder's equity) may be used for the purposes specified in article 24, paragraph 1, items 3, 4, and 5 of this law;
3. Foreign exchange assets which are earned in a foreign country through the sale of founder's equity in kind of domestic origin may be used as foreign exchange assets earned from the exportation of goods.

Article 30

Upon being returned to Yugoslavia, plant equipment and other objects of domestic origin which have been invested as founder's equity or used as in kind assets in an enterprise founded in a foreign country are not subject to the regulations which apply to imports.

Plant equipment and other objects of domestic origin invested in an enterprise founded in a foreign country are defined as plant equipment and other objects manufactured in Yugoslavia and plant equipment and other objects imported from abroad on which regular import duties have been paid.

Physical assets of foreign origin which are invested as founder's equity or used as capital or working assets in an enterprise founded in a foreign country may only be brought into Yugoslavia subject to the approval of the federal administrative organ responsible for foreign trade affairs, acting in accord with the federal administrative organ responsible for the appropriate economic sphere and after having paid all regular import duties.

Patent, license, and technical advancement rights and other rights which are invested in support of the business activities of an enterprise founded in a foreign country are restored to Yugoslavia in accordance with paragraph 1 of this article.

Article 31

The federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the federal administrative organ responsible for financial affairs and of the coordinating committee attached to the competent organ in the republic or autonomous province within whose territorial jurisdiction is located the main office of an organization of associated labor, issues a ruling revoking authorization to found an enterprise in a foreign country and deletes said enterprise from the registry of enterprises located in foreign countries provided that the Coordinating Committee attached to the Federal Executive Council has also made a judgment in favor of the closure of such an enterprise:

- 1) if a possibility no longer exists for the transfer of profits and for the recovery of invested assets (article 15, paragraph 2, item 3);
- 2) if provisions are no longer being made for the professional control and supervision of the material and financial operations of an enterprise in a foreign country (article 15, paragraph 2, item 5);
- 3) if negative changes occur which affect the credit rating of a foreign partner (article 15, paragraph 3);
- 4) if out of the total annual turnover realized by an enterprise in a foreign country which is engaged in commercial activities such an enterprise fails to realize the greater volume of said turnover by means of exports of goods and services from Yugoslavia (article 16, paragraph 1);
- 5) if the operations of an enterprise in a foreign country no longer conform to established policy governing the advancement of economic relations with foreign countries, the guidelines and regulations enacted pursuant to the implementation of said policy, and the security interests of the SFRJ (article 17, paragraph 1).

Article 32

If the national bank of the republic or the national bank of the autonomous province within whose territorial jurisdiction is located the main office of an organization of associated labor determines on the basis of an annual report (article 105) that an enterprise in a foreign country is not transferring profit earnings or is transferring such earnings in amounts less than was provided for under the terms of its pledge (article 15, paragraph 2, item 1) or is not transferring such earnings within the prescribed time period (article 25), it will submit a report to the appropriate official organ calling for the initiation of legal proceedings to prosecute an economic offense.

Article 33

The federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the federal administrative organ responsible for financial affairs, other federal administrative organs specified in article 14 of this law, and the coordinating committee attached to the competent official organ of a republic or autonomous province, may, by way of exception, release an organization of associated labor which has established an enterprise in a certain geographic area or which is engaged in exporting goods and services from Yugoslavia, at its request, from its commitment pledging an annual transfer of a certain percentage of its profits (article 15, paragraph 2, item 1).

Article 34

If at the time when application is being made for authorization to found an enterprise in a foreign country or during the course of the actual operation of such an enterprise an organization of associated labor, in accordance with its operational program and financial projections and its memorandum on the economic justifications for founding an enterprise in a foreign country, anticipates that such an enterprise will be operating at a loss, the federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the coordinating committee attached to the competent official organ in a republic or autonomous province and the Coordinating Committee attached to the Federal Executive Council, may authorize an organization of associated labor to operate an enterprise in a foreign country at a loss for a period of up to 3 consecutive years.

If after examining an annual financial statement the social accountancy service determines that an enterprise founded in a foreign country has been operating at a loss during the year for which said financial statement was filed and if such a financial loss is not anticipated and authorized in accordance with paragraph 1 of this article, the social accountancy service will so inform the federal administrative organ responsible for foreign trade affairs which, after having previously obtained the opinion of the

coordinating committee attached to the competent official organ in a republic or autonomous province and the Coordinating Committee attached to the Federal Executive Council, may issue a ruling revoking authorization to found an enterprise in a foreign country and delete such an enterprise from the registry of enterprises in foreign countries.

2. Founding Banks and Other Financial Institutions in Foreign Countries

Article 35

Banks and other financial institutions are established in foreign countries in order to encourage and provide credit support for exports of goods and services from Yugoslavia, long-term industrial collaboration and commercial-technical cooperation with foreign countries, to handle payments transactions in foreign countries on behalf of enterprises in foreign countries founded by organizations of associated labor, to accumulate savings deposits, and to conduct other banking transactions.

Article 36

A principal bank authorized to conduct business transactions with foreign countries may of its own accord or in association with other principal banks authorized to conduct business transactions with foreign countries or with foreign legal or physical persons may establish a bank or other financial institution in a foreign country.

The decision to establish a bank or other financial institution in a foreign country is made by the appropriate management organs of interested organizations of associated labor, self-management interest communities, and other social legal persons qua members of a principal bank.

Members of a principal bank enter into a self-management accord on the establishment of a bank or other financial institution in a foreign country which serves as an instrument for regulating their mutual relations, rights and duties vis-a-vis the bank or other financial institution to be established in a foreign country, the goals of such an establishment, the nature of the activities to be pursued, the apportionment of founder's equity, the method of profit distribution, the transfer of profits to Yugoslavia, conditions governing the reduction and withdrawal of invested assets, the increase of founder's equity, closure, and other conditions related to the operations of a bank or other financial institution in a foreign country.

Article 37

A banking group may of its own accord or in association with other banking groups or foreign legal or physical persons establish a bank or other financial institution in a foreign country.

The decision to establish a bank or other financial institution in a foreign country is made by the appropriate management organs of the interested organizations of associated labor, self-management interest communities, internal banks, and other social legal persons qua members of principal banks which have become affiliated within a banking group.

Members of principal banks which are affiliated within a banking group enter into a self-management accord on the establishment of a bank or other financial institution in a foreign country which serves as an instrument for regulating their mutual relations, their rights and duties vis-a-vis the bank or other financial institution to be established in a foreign country, the goals of such an establishment, the nature of the activities to be pursued, the apportionment of founder's equity, the method of profit distribution, the transfer of profits to Yugoslavia, the conditions governing the reduction or withdrawal of assets, the increase of founder's equity, closure, and other conditions related to the operations of a bank or other financial institution in a foreign country.

Article 38

In terms of the assets which are to be invested banks or other financial institutions which are established in foreign countries may be:

- 1) banks or financial institutions which are established exclusively through the investment of assets at the disposal of members of a domestic bank (hereafter: "wholly-owned bank or wholly-owned financial institution");
- 2) banks or financial institutions which are established through the investment of assets at the disposal of members of a domestic bank and assets controlled by foreign banks or other financial institutions and other foreign legal or physical persons (hereafter: "banking consortium or syndicated financial institutions").

Domestic banks as specified in article 36 and 37 may establish a bank or other financial institution in a foreign country which is accountable for its liabilities solely to the extent of the assets invested in such a bank or other financial institution or up to an amount set under the terms of limited guaranty.

Article 39

The establishment, operations, closure, and other status changes of a bank or other financial institution in a foreign country are correspondingly governed by the provisions contained in articles 12, 14, and 15, articles 17 through 19, and articles 22 through 32 of this law.

3. Founding Insurance and Reinsurance Organizations in Foreign Countries

Article 40

Insurance and reinsurance organizations are founded in foreign countries in order to conduct transactions pertaining to the insurance and reinsurance of goods and services which are exported and imported and to conduct other transactions involving the insurance and reinsurance of property and persons in foreign countries.

Article 41

A property and personal insurance company may of its own accord or in association with other property and personal insurance companies or foreign legal or physical persons found an insurance organization in a foreign country.

The decision to found an insurance organization in a foreign country is made by the appropriate management organs of interested organizations of associated labor, self-management interest communities, and other social legal persons qua insurers of a company insuring property and persons.

The insurers specified in paragraph 2 of this article enter into a self-management accord on the founding of an insurance organization in a foreign country which serves as an instrument for regulating their mutual relations, their rights and duties vis-a-vis the insurance organization to be founded in a foreign country, the goals of founding such an organization, the nature of the activities to be engaged in by such an organization, the apportionment of founder's equity, the method of profit distribution, the transfer of profits to Yugoslavia, conditions governing the reduction and withdrawal of invested assets, increases in founder's equity, closure, and other conditions related to the operations of an insurance organization in a foreign country.

Article 42

A reinsurance company may of its own accord or in association with other reinsurance companies or foreign legal or physical persons found a reinsurance organization in a foreign country. The decision to found a reinsurance organization in a foreign country is made by the appropriate management organs of interested organizations of associated labor, self-management interest communities, and other social legal persons qua insurers of a company insuring property and persons who have become affiliated within a reinsurance company.

The insurers of a property and personal insurance company who are affiliated within a reinsurance company enter into a self-management accord on the founding of a reinsurance organization in a foreign country which serves as an instrument for regulating their mutual relations, their rights and duties vis-a-vis the reinsurance organization to be founded in a foreign country, the goals of founding such an organization, the nature of the activities to be engaged in by such an organization, the apportionment of founder's equity, the method of profit distribution, the transfer of profits to Yugoslavia, conditions governing the reduction and withdrawal of invested assets, increases in founder's equity, closure, and other conditions related to the operations of a reinsurance organization in a foreign country.

Article 43

In terms of the assets which are to be invested insurance and reinsurance organizations which are founded in foreign countries may be:

- 1) insurance or reinsurance organizations which are founded exclusively through the investment of assets at the disposal of the insurers in a domestic property and personal insurance company or reinsurance company (hereafter: "wholly-owned insurance or reinsurance organizations");
- 2) insurance or reinsurance organizations which are founded through the investment of assets at the disposal of the insurers in a domestic property and personal insurance company or reinsurance company and assets at the disposal of foreign insurance or reinsurance organizations and other foreign legal or physical persons (hereafter: "joint insurance or reinsurance organizations").

A property and personal insurance company and reinsurance company as specified in articles 41 and 42 of this law may found an insurance or reinsurance organization in a foreign country which is accountable for its liabilities solely to the extent of the assets which they have invested in such an insurance or reinsurance organization or up to an amount set under the terms of a limited guaranty.

Article 44

The founding, operation, closure, and other status changes of an insurance or reinsurance organization in a foreign country are correspondingly governed by the provisions contained in articles 12, 14, and 15, articles 17 through 19, and articles 22 through 32 of this law.

4. Investment of Assets in Foreign Enterprises

Article 45

Organizations of associated labor may invest assets in foreign enterprises.

The investment of assets in foreign enterprises is defined as the investment of assets for the purpose of realizing common business objectives at joint risk in a joint production venture, promoting long-term industrial collaboration, long-term commercial and technical cooperation, exchanges of scientific, technical and technological know-how, and realizing other economic interests (through joint business ventures).

Article 46

An organization of associated labor may invest assets in foreign enterprises by itself or in association with other organizations of associated labor or foreign legal or physical persons.

If assets are invested jointly by several organizations of associated labor, such organizations of associated labor enter into a self-management accord which serves as an instrument for regulating their mutual relations, their rights and duties, the purpose and nature of the joint investment program, representation rights, capital contribution amounts in connection with the investment of assets in a foreign enterprise, procedures and conditions governing the investment and withdrawal of assets, the procedures and conditions governing the distribution of profits, and other conditions related to joint investments in a foreign enterprise.

Article 47

Organizations of associate labor may invest assets:

- 1) in foreign enterprises founded by foreign legal or physical persons;
- 2) in joint venture enterprises founded by organizations of associated labor and foreign legal or physical persons.

Article 48

An organization of associated labor is accountable for the liabilities which it incurs as a result of joint business ventures solely up to the amount of the assets which it has invested.

Article 49

Organizations of associated labor may draw upon the following resources for the investment of assets in foreign enterprises:

- 1) foreign exchange and dinar assets in accordance with the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries;
- 2) profits earned as a result of joint business ventures based on such an investment;
- 3) plant equipment, patent, license and technical advancement rights and other rights which constitute capital assets as expressed in terms of monetary value;
- 4) the cash value of capital construction projects in foreign countries and other rights as expressed in terms of cash value.

Article 50

Investment of assets in a foreign enterprise is made on the basis of an agreement concluded with a foreign enterprise in writing.

The agreement specified in paragraph 1 of this article regulates the following matters in particular: mutual relations, the purposes for the investment of assets, the nature of the joint business venture, procedures for setting up a joint management organ, procedures for controlling and supervising the joint business venture, the value of total assets and the amount of the capital contributions which are to be invested in the joint business venture, the method of profit distribution, the transfer of profits to Yugoslavia, recovery of invested assets, procedures and conditions governing the closure of the joint business venture, and other conditions related to joint business ventures.

Article 51

In order to invest assets in a foreign enterprise an organization of associated labor is required to obtain prior authorization from the federal administrative organ responsible for foreign trade affairs, which grants said authorization after having previously obtained the opinion of the federal administrative organ responsible for financial affairs and other federal administrative organs responsible for appropriate economic spheres.

If assets are invested in a foreign enterprise for the purpose of promoting the production, reconditioning, or trade in armaments and military equipment, it is also necessary to obtain the opinion of the federal administrative organ responsible for national defense affairs.

Article 52

An organization of associated labor files an application for authorization to invest assets in a foreign enterprise with the federal administrative organ responsible for foreign trade affairs through the competent official organ of a republic or autonomous province.

In addition to the application for investment authorization, an organization of associated labor is required to subjoin the following documents:

- 1) the decision of the appropriate management organ to invest assets for the purpose of entering into a joint business venture together with a memorandum stating the economic justifications for such an investment, a draft of the agreement which is to be concluded with a foreign partner, and a report on the credit rating of said foreign partner furnished by the Economic Chamber of Yugoslavia;
- 2) excerpts from the operative legislation of the country in which assets are to be invested, in certified translations, and the endorsement of the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia in said country together with its opinion as to the legality of the investment of assets in a foreign enterprise and the prospects for the transfer of profits and rate of return on invested assets;

3) the confirmation of an appropriate banking institution attesting to the fact that the assets to be invested are secured or the confirmation of the social accountancy service as to the book value of the assets specified in article 49, item 3 of this law, as required by law;

4) the opinion of the coordinating committee attached to a competent official organ of a republic or autonomous province as to the desirability of the investment of assets;

5) the attestation of the coordinating committee attached to the competent official organ of a republic or autonomous province to the effect that workers possessing special authorizations and responsibilities and other professional workers which are assigned to positions in a foreign enterprise are in compliance with the conditions governing the performance of such tasks and duties.

Insofar as assets are being invested in a foreign enterprise jointly by several organizations of associated labor, such organizations of associated labor are also required to subjoin, in addition to the application and documents specified in paragraphs 1 and 2 of this article, a self-management accord (article 46, paragraph 2).

The documents specified in this article constitute official secrets.

Article 53

Upon receipt of the application and documents specified in article 52 of this law the federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the official organs specified in article 51 of this law, will grant authorization for the investment of assets provided that the Coordinating Committee attached to the Federal Executive Council has rendered a judgment declaring that the investment of assets in a foreign enterprise is desirable and in accordance with established policy on the advancement of economic relations with foreign countries, the guidelines and regulations enacted for the implementation of that policy, and the security interests of the SFRJ.

If an organization of associated labor fails to conclude an agreement as specified in article 50 of this law within a period of 6 months after the date on which the authorization specified in paragraph 1 of this article is granted, said authorization is rendered null and void.

Article 54

An organization of associated labor is also required to obtain the authorization specified in article 53 of this law whenever it invests additional assets in a foreign enterprise in furtherance of a joint business venture.

An organization of associated labor is required to subjoin to its application for authorization as specified in paragraph 1 of this article the documents specified in article 52, paragraph 1, items 1, 3, and 4 of this law.

Article 55

Acting within a period of 30 days after the date on which it enters into an agreement as specified in article 50 of this law, an organization of associated labor is required to submit said agreement to the federal administrative organ responsible for foreign trade affairs for its approval and for registration in the registry of agreements on the investment of assets in foreign enterprises.

Acting within a period of 30 days after the date on which application is filed, the federal administrative organ responsible for foreign trade affairs issues a ruling on the approval of the concluded agreement and on its registration in the registry specified in paragraph 1 of this article.

The following entries are made in the registry specified in paragraph 1 of this article: the firm, name, and main office location of the organization of associated labor which is investing assets in a foreign enterprise, the firm and main office location of the foreign enterprise with which an agreement has been concluded, the nature of the joint business venture, the amount of assets invested, the date on which the agreement was concluded and the date on which said agreement was submitted for approval, and the number and date of the ruling on the approval and registration of the concluded agreement.

An agreement on the investment of assets in a foreign enterprise becomes legally valid as of the date on which it is recorded in the registry specified in paragraph 1 of this article.

Article 56

Insofar as any of the documents or facts specified in article 52 of this law or any of the data recorded in the registry specified in article 55 of this law are subjected to future amendments, an organization of associated labor, acting within a period of 60 days after the date on which such amendments become effective and through the competent official organ of a republic or autonomous province, is required to so notify the coordinating committee attached to the competent official organ of the republic or autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and the federal administrative organ responsible for foreign trade affairs so that such amendments may be recorded in the registry of agreements on the investment of assets in foreign enterprises.

Article 57

The profits earned by an organization of associated labor as a result of a joint business venture with a foreign enterprise, after the settlement of liabilities specified in a joint business venture agreement and other obligations imposed by the laws of the host country, may be used by such an organization of associated labor for the following purposes:

- 1) to increase its contribution to the assets constituting a joint investment in a foreign enterprise (additional investment);
- 2) to invest in other foreign enterprises, in accordance with this law;
- 3) to repay foreign exchange credits which were undertaken for the purpose of investing assets in a foreign enterprise;
- 4) for other purposes in accordance with regulations governing foreign exchange transactions and credit relations with foreign countries.

Until such time as they are to be used, the profits specified in paragraph 1 of this article are placed by an organization of associated labor in a foreign exchange bank account in Yugoslavia or in a foreign bank account subject to the authorization of the national bank of the republic or the national bank of the autonomous province within whose territorial jurisdiction its main office is located, in accordance with general conditions imposed at the discretion of the National Bank of Yugoslavia.

Insofar as the profits specified in paragraph 1 of this article are used for purposes of additional investment, an organization of associated labor is required to proceed to act in accordance with article 54 of this law.

Article 58

An organization of associated labor is required to recover invested assets or the remainder of invested assets insofar as an agreement on the investment of assets in a foreign enterprise is rendered inoperative by the realization of agreed upon business objectives or by the expiration of the contract term, insofar as an agreement on the investment of assets in a foreign enterprise is cancelled for reasons provided for by this law (article 59), or insofar as an agreement on the investment of assets in a foreign enterprise has provided that a domestic contracting party may also withdraw a portion of its invested assets during the life of such an agreement.

Article 59

The federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the federal administrative organ responsible for financial affairs and the coordinating committee attached to the competent official organ in the republic or autonomous province within whose territorial jurisdiction is located the main office of an organization of associated labor, issues a ruling revoking authorization for

the investment of assets in a foreign enterprise and deletes said agreement from the registry of agreements on the investment of assets in foreign enterprises provided that the Coordinating Committee attached to the Federal Executive Council has rendered a judgment as to the closure of a joint business venture in a foreign enterprise:

- 1) insofar as assets are invested or a joint business venture is conducted in a manner that runs counter to the provisions of a previously concluded and authorized agreement (articles 50 and 55);
- 2) insofar as the investment of assets or a joint business venture is found to be no longer compatible with established policy on the advancement of economic relations with foreign countries or with the guidelines and regulations enacted pursuant to the implementation of that policy (article 53);
- 3) insofar as the investment of assets or a joint business venture is found to be no longer compatible with the security interests of the SRFJ (article 53).

Article 60

In the event of circumstances as specified in articles 58 and 59 of this law an organization of associated labor is required to clear its outstanding financial and material accounts related to the conduct of a joint business venture and to transfer to Yugoslavia in cash or in kind all assets which have accrued to it on the basis of such a settlement, doing so within a period of 90 days after the day on which such a settlement is reached.

After it has accepted the settlement of outstanding financial and material accounts related to the conduct of a joint business venture as made by an appropriate management organ, an organization of associated labor is required to present a record of said settlement, within a period of 60 days after the date on which a settlement is reached, to the national bank of the republic or to the national bank of the autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor and to the social accountancy service.

Article 61

Insofar as an agreement on the investment of assets is rendered inoperative by the realization of agreed upon business objectives or by the expiration of the contract term or insofar as it is rendered inoperative for any other reasons, an organization of associated labor, acting within a period of 60 days after the date on which such an agreement becomes inoperative, is required to so notify the coordinating committee attached to the competent official organ of a republic or autonomous province through a competent official organ of a republic or autonomous province and the federal administrative organ responsible for foreign trade affairs, which will issue a ruling on the deletion of such an agreement from the registry of agreements on the investment of assets in foreign enterprises.

5. The Conduct of Business Activities in Foreign Countries Through Commercial Entities

Article 62

Organizations of associated labor may establish the following commercial entities in foreign countries:

- 1) permanent representations and permanent trade mission offices;
- 2) temporary representations and temporary trade mission offices;
- 3) warehouses (consignment or wholly-owned), salesrooms, service centers, and similar commercial entities.

As specified in items 1 and 3 of paragraph 1 of this article, a commercial entity is defined as a permanent representation, a permanent trade mission office, a warehouse, salesroom, service center, or other similar commercial entity which an organization of associated labor establishes in a foreign country for the purpose of conducting business activities in such a foreign country over an extended period of time (hereafter: "permanent commercial entity").

As specified in item 2, paragraph 1 of this article, a commercial entity is defined as a temporary representation or a temporary trade mission office which an organization of associated labor establishes in a foreign country for the purpose of conducting a specific business transaction in such a foreign country or for the purpose of conducting business transactions which may not extend over a period longer than 1 year (hereafter: "temporary commercial entity").

Article 63

An organization of associated labor may establish a permanent or temporary commercial entity of its own accord or in association with other organizations of associated labor.

Article 64

Insofar as a permanent or temporary commercial entity is founded jointly by several organizations of associated labor, such organizations of associated labor qua founders of such a commercial entity enter into a self-management accord which serves as an instrument for regulating their mutual relations, the limits on their authority to act as business representatives or agents, their rights and duties vis-a-vis such a commercial entity, the program and nature of their business operations, cost payment procedures, and the closure of such a commercial entity.

Article 65

The establishment of a permanent commercial entity is recorded in the registry of permanent commercial entities in foreign countries which is maintained by the federal administrative organ responsible for foreign trade affairs.

An application for registration in the registry of permanent commercial entities in foreign countries is filed by an organization of associated labor with the federal administrative organ responsible for foreign trade affairs through the competent official organ of a republic or autonomous province.

An organization of associated labor is required to subjoin the following documents to its application for registration:

- 1) the decision of the appropriate management organ on the establishment of a permanent commercial entity in a given country, on the nature of its business activities, on its business operations program, and on the limits on the authority of workers possessing special authorizations and responsibilities in such a permanent commercial entity;
- 2) the opinion of the coordinating committee attached to the competent official organ of a republic or autonomous province as to the desirability of establishing such a permanent commercial entity;
- 3) the attestation of the coordinating committee attached to the competent official organ of a republic or autonomous province to the effect that workers possessing special authorizations and responsibilities and other professional workers which are assigned to positions in such a permanent commercial entity are in compliance with the conditions governing the performance of their respective tasks and duties.

The documents specified in this article constitute official secrets.

Article 66

Upon receipt of the application and documents specified in article 65 of this law, the federal administrative organ responsible for foreign trade affairs will issue a ruling on the registration of a permanent commercial entity in the registry of permanent commercial entities in foreign countries provided that the Coordinating Committee attached to the Federal Executive Council has rendered a judgment declaring that the establishment of a permanent commercial entity is desirable and in accordance with established policy on the advancement of economic relations with foreign countries, the guidelines and regulations enacted pursuant to the implementation of that policy, and the security interests of the SFRJ.

The following entries are made in the registry of permanent commercial entities in foreign countries: the firm, name, and main office location of the founder of a permanent commercial entity, the type of permanent commercial entity, and the location and country in which a permanent commercial entity is to be established.

A permanent commercial entity may open for business in a foreign country after it has been registered in the registry of permanent commercial entities in foreign countries.

Article 67

A permanent commercial entity is required to file the ruling attesting to its registration in the registry of permanent commercial entities in foreign countries with a joint commercial representation of the Socialist Federal Republic of Yugoslavia or, if such a joint commercial representation has not been established in a given country, with the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia, doing so within a period of 30 days after the date on which it opens for business.

As of the date on which the ruling specified in paragraph 1 of this article is filed a permanent commercial entity becomes a member of a joint commercial representation and as such is endowed with the rights and duties determined by this law and by the uniform statutes governing joint commercial representations.

Article 68

Insofar as any of the documents or facts specified in article 65 of this law or any of the data recorded in the registry specified in article 66 of this law may be subjected to future amendments, an organization of associated labor, acting within a period of 30 days after the date on which such amendments become effective, is required to so notify the federal administrative organ responsible for foreign trade affairs so that such amendments may be recorded in the registry of permanent commercial entities in foreign countries.

Article 69

A permanent commercial entity is required to furnish the appropriate management organ of the parent organization with an annual report on its operations.

An organization of associated labor is required to forward an annual report on the operations of permanent commercial entity to a joint commercial representation and to the coordinating committee attached to the competent official organ of a republic or autonomous province through the competent official organ of the republic or autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor.

If after examining the annual report on the operations of a permanent commercial entity the coordinating committee attached to the competent official organ of a republic or autonomous province determines that such a permanent commercial entity is no longer in compliance with the conditions specified in article 65, paragraph 2, item 2 and article 66 of this law, it will recommend to the federal administrative organ responsible for foreign trade affairs that such a permanent commercial entity should be deleted from the registry of permanent commercial entities in foreign countries.

The federal administrative organ responsible for foreign trade affairs issues a ruling on the deletion of a permanent commercial entity from the registry of permanent commercial entities in foreign countries provided that the Coordinating Committee attached to the Federal Executive Council has rendered a judgment on the deletion of said permanent commercial entity.

Article 70

The decision to close a permanent commercial entity is made by an appropriate management organ.

Acting within a period of 30 days after the date on which a permanent commercial entity is closed, an organization of associated labor is required to so notify the federal administrative organ responsible for foreign trade affairs so that said commercial entity may be deleted from the registry of permanent commercial entities in foreign countries.

The federal administrative organ responsible for foreign trade affairs issues a decree on the deletion of a permanent commercial entity from the registry of permanent commercial entities in foreign countries.

Article 71

Enterprises founded in foreign countries may establish permanent commercial entities.

Insofar as a permanent commercial entity is established by a wholly-owned enterprise in a foreign country, an organization of associated labor qua founder of a wholly-owned enterprise in a foreign country is required to proceed to act in accordance with article 65 and articles 67 through 70 of this law.

Insofar as a permanent commercial entity is established by a joint venture enterprise founded in a foreign country, an organization of associated labor qua founder of a joint venture enterprise in a foreign country is required to notify the federal administrative organ responsible for foreign trade affairs of the establishment of a permanent commercial entity so that it may be recorded in the appropriate registry.

Article 72

Insofar as an organization of associated labor establishes a temporary commercial entity, it is required to so notify the federal administrative

organ responsible for foreign trade affairs within a period of 30 days after the date on which such an entity is established so that it may be recorded in the appropriate registry.

As soon as it commences operations a temporary commercial entity is required to register with a joint commercial representation of the Socialist Federal Republic of Yugoslavia or, if such a joint commercial representation has not been established in a given country, with the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia.

As of the date when it has completed registration as specified in paragraph 2 of this article a temporary commercial entity becomes a member of a joint commercial representation and is endowed with the rights and duties determined by this law and by the uniform statutes governing joint commercial representations.

Article 73

Principal banks authorized to conduct business transactions with foreign countries and associated banks may establish the following commercial entities:

- 1) permanent representations and permanent trade mission offices;
- 2) temporary representations and temporary trade mission offices;
- 3) branch offices;
- 4) information centers;

A commercial entity as specified in items 1, 3, and 4 of paragraph 1 of this article is defined as a permanent commercial representation, a permanent trade mission office, a branch office, or an information center which is established by any of the banks specified in paragraph 1 for the purpose of conducting banking transactions as specified in article 35 of this law in a foreign country over an extended period of time.

As specified in item 2, paragraph 1 of this law, a commercial entity is defined as a temporary commercial representation or a temporary trade mission office which is established by any of the banks specified in paragraph 1 for the purpose of conducting a specific banking transaction in a foreign country or for the purpose of conducting banking transactions which may not extend over a period longer than 1 year.

Article 74

Banks and other financial institutions founded in foreign countries may establish commercial entities as specified in article 73, paragraph 1, items 1, 3, and 4 of this law.

Insofar as a commercial entity as specified in article 73, paragraph 1, items 1, 3, and 4 of this law is established by a wholly-owned bank or other financial institution founded in a foreign country, the domestic parent institutions are required to proceed to act in accordance with article 65, article 66, paragraph 3, and articles 67 through 70 of this law.

Insofar as a commercial entity as specified in article 73, paragraph 1, items 1, 3, and 4 of this law is established by a banking consortium or other syndicated financial institution founded in a foreign country, the domestic parent institutions are required to so notify the federal administrative organ responsible for foreign trade affairs of the establishment of such a commercial entity so that it may be recorded in the appropriate registry.

Article 75

Property and personal insurance companies and reinsurance companies may establish the following commercial entities:

- 1) permanent commercial representations and permanent trade mission offices;
- 2) temporary commercial representations and temporary trade mission offices.

As specified in item 1, paragraph 1 of this article, a commercial entity is defined as a permanent commercial representation or a permanent trade mission office which is established by property and personal insurance company or reinsurance company for the purpose of conducting transactions over an extended period of time involving insurance and reinsurance in foreign countries as specified in article 40 of this law.

As specified in item 2, paragraph 1 of this law, a commercial entity is defined as a temporary commercial representation or a temporary trade mission office which is established by a property and personal insurance or reinsurance company for the purpose of conducting a specific transaction involving insurance and reinsurance in a foreign country or for the purpose of conducting insurance and reinsurance transactions which may not extend over a period longer than 1 year.

Article 76

Insurance and reinsurance organizations founded in foreign countries by property and personal insurance companies and reinsurance companies may establish commercial entities as specified in article 75, paragraph 1, item 1 of this law.

Insofar as a commercial entity as specified in article 75, paragraph 1, item 1 of this law is established by a wholly-owned insurance or reinsurance organization founded in a foreign country, a property and personal insurance company or reinsurance company qua founder of a wholly-owned insurance or reinsurance organization in a foreign country is required to proceed to act in accordance with article 65, article 66, paragraph 3, and articles 67 through 70 of this law.

Insofar as a commercial entity as specified in article 75, paragraph 1, item 1 of this law is established by a joint insurance or reinsurance organization founded in a foreign country, a property and personal insurance company or reinsurance company qua founder of a joint insurance or reinsurance organization in a foreign country will so notify the federal administrative organ responsible for foreign trade affairs of the establishment of such a commercial entity so that it may be recorded in the appropriate registry.

Article 77

The establishment, operations, closure, and other status changes affecting a commercial entity as specified in article 73, paragraph 1, items 1, 3, and 4 and article 75, paragraph 1, item 1 of this law are correspondingly governed by the provisions contained in articles 63 through 70 of this law.

The establishment, operation, closure, and other status changes affecting commercial entities as specified in article 73, paragraph 1, item 2 and paragraph 75, paragraph 1, item 2 of this law are correspondingly governed by the provisions contained in article 72 of this law.

6. The Establishment and Operation of Joint Commercial Representations in Foreign Countries

Article 78

In order to promote cooperation and the coordination of mutual relations among organizations of associated labor and other selfmanagement organizations and communities in the conduct of business activities in foreign countries joint commercial representations are founded in foreign countries (hereafter: "joint commercial representation"), in accordance with the provisions of this law and the laws of the countries in which they are founded.

Business transactions which are conducted by a joint commercial representation are especially important in terms of the general public interest.

Article 79

A joint commercial representation is founded for one country or several countries.

The Economic Chamber of Yugoslavia, with the consent of the Federal Executive Council, is responsible for founding a joint commercial representation and assigning it a name and location for its main office.

In accordance with established policy on the advancement of economic relations with foreign countries, the Economic Chamber of Yugoslavia, at the request of the Federal Executive Council, will establish a joint commercial representation for a specific country or for a broader geographic region or it will work out a regional distribution of joint commercial representations.

Article 80

A joint commercial representation conducts specific transactions in foreign countries on behalf of organizations of associated labor and other self-management organizations and communities in accordance with the procedures and conditions which are determined by the uniform statutes governing joint commercial representations.

The statutes specified in paragraph 1 of this article are enacted by the Assembly of the Economic Chamber of Yugoslavia, with the consent of the Assembly of the SFRJ.

Article 81

Working within a joint commercial representation, organizations of associated labor and other self-management organizations and communities which perform business activities as specified in article 1 of this law in a country where a joint commercial representation has been established mutually coordinate their respective interests within the framework of international economic cooperation as well as with the economic policies provided for in the social plan of Yugoslavia.

Organizations of associated labor and other self-management organizations and communities may delegate the responsibility for the conduct of business transactions on their behalf and at their expense to the institutional structures engaged in business activities in foreign countries as specified in articles 85 through 91 of this law.

Responsibility for the business transactions specified in paragraph 2 of this article is assigned through a joint commercial representation, and such transaction are conducted in accordance with the procedures and conditions determined by the uniform statutes governing joint commercial representations.

Article 82

In performing its tasks and duties a joint commercial representation is required to abide by the directives which are enacted by the Federal Executive Council and its organs within the limits of their respective jurisdictions and by the Economic Chamber of Yugoslavia, in accordance with the procedures and conditions determined by the uniform statutes governing joint commercial representations.

Article 83

The means by which the operating costs of a joint commercial representation are to be paid are regulated by the uniform statutes governing joint commercial representations and by a self-management accord between organizations of associated labor and other self-management organizations and communities which are engaged in business activities in foreign countries.

The self-management accords specified in paragraph 1 of this article must be compatible with the uniform statutes governing joint commercial representations.

The operating costs of joint commercial representations may be paid for with funds designated for the advancement of foreign trade activities, in accordance with the existing agreement between the Federal Executive Council and the Economic Chamber of Yugoslavia.

Article 84

A joint commercial representation performs the following tasks in particular:

- 1) it promotes commerce in the country in which it has been established;
- 2) it endeavors to implement decisions calling for united action;
- 3) it monitors economic trends in the country in which it has been established and keeps organizations of associated labor, economic chambers, and other appropriate organs informed about issues in the field of economic relations;
- 4) it coordinates individual, common, and general economic interests so as to promote the organized exportation and importation of goods and services;
- 5) it engages in market research and monitors legislative activities in the country in which it has been established;
- 6) it encourages and promotes long-term industrial collaboration, commercial and technical cooperation, joint investments of capital, and exchanges of scientific, technical, and technological know-how with foreign countries;
- 7) pursuant to this law, it provides assistance in the conduct of business activities in the country in which it has been established;
- 8) it monitors the operations and performance of business ventures in foreign countries;
- 9) it keeps a record of concluded business transactions.

A joint commercial representation may, on the authorization of the Federal Executive Council, perform other specific tasks in foreign countries when commissioned to do so by the Council.

Article 85

Organizations of associated labor and other self-management organizations and communities are required to incorporate the institutional structures engaged in business activities in foreign countries as specified in article 11, paragraph 1, item 1, article 38, paragraph 1, item 1, article 43, paragraph 1, item 1, article 62, paragraph 1, article 71, paragraph 2, article 73, paragraph 1, article 74, paragraph 2, article 75, paragraph 1, and article 76, paragraph 2 of this law into a joint commercial representation and to conduct their various transactions in accordance with the uniform statutes governing joint commercial representations.

Article 86

The official organs of a joint commercial representation are the conference, the secretariat, and the director.

The conference is made up of representatives of the organizational structures engaged in business activities in foreign countries as specified in article 85 of this law, and the proceedings of the conference are also attended by an authorized representative of the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia accredited to the country in which a joint commercial representation has been established.

Organizations of associated labor and other self-management organizations and communities involved in the conduct of business activities in the country in which a joint commercial representation has been established as well as representatives of the institutional structures engaged in business activities as specified in article 91 of this law may also take part in the work of the conference, in accordance with the uniform statutes governing joint commercial representations.

The secretariat is made up of from 3 to 5 representatives of the members of the joint commercial representation who are elected by the conference and the director.

The director is appointed by the Assembly of the Economic Chamber of Yugoslavia or by an organ authorized by it with the consent of the Federal Executive Council. In appointing the director of a joint commercial representation care will be taken to see to it that all republics and autonomous provinces are fairly represented.

In smaller joint commercial representations the duties of the secretariat may be performed by the director, in accordance with the uniform statutes governing joint commercial representations.

Article 87

The conference of a joint commercial representation:

- 1) ratifies the operational plan and activities program of a joint commercial representation;
- 2) deliberates on matters related to and prospects for economic cooperation with the country in which a joint commercial representation has been established;
- 3) deliberates on and accepts reports on the work of a joint commercial representation and together with its recommendations on measures designed to promote economic cooperation forwards such reports to the Federal Executive Council and the Economic Chamber of Yugoslavia;
- 4) and performs other tasks sanctioned by the uniform statutes governing joint commercial representations.

Article 88

The secretariat of a joint commercial representation:

- 1) does advance work in preparation for conference meetings;
- 2) keeps a record of the business transactions specified in article 92 of this law;
- 3) monitors and sees to the implementation of conference decisions;
- 4) prepares recommendations for the advancement of economic cooperation and advises the Economic Chamber of Yugoslavia of violations of the uniform statutes governing joint commercial representations or the work duties of workers employed in any of the institutional structures engaged in business activities as specified in article 85 of this law;
- 5) and performs other tasks as authorized by the conference.

The data entered into the records specified in item 2, paragraph 1 of this article constitute official secrets and may be used solely for the purpose of reaching a mutual agreement and coordinating business activities in accordance with article 92 of this law.

Article 89

The director of a joint commercial representation:

- 1) organizes and coordinates the work of a joint commercial representation in accordance with the uniform statutes governing joint commercial representations and the decisions of the conference;

- 2) endeavors to implement the decisions of the conference;
- 3) endeavors to see to it that a joint commercial representation functions in a manner that is compatible with established policy on the advancement of economic relations with the host country, and the directives and regulations enacted pursuant to the implementation of that policy;
- 4) endeavors to implement social compacts, self-management accords, and other appropriate rulings of official organs as well as the resolutions of the sections and other organizational structures in the Economic Chamber of Yugoslavia concerned with economic relations with foreign countries;
- 5) endeavors to make sure of the legality of activities pursued by the institutional structures engaged in business activities as specified in article 85 of this law;
- 6) and performs other tasks sanctioned by the uniform statutes governing joint commercial representations.

The director of a joint commercial representation is responsible for seeing to it that the business transactions of a joint commercial representation are conducted in accordance with the law and the uniform statutes governing joint commercial representations.

Article 90

The representatives of the Economic Chamber of Yugoslavia in a joint commercial representation are accountable for their actions to the Economic Chamber of Yugoslavia.

The representatives of institutional structures engaged in business activities as specified in articles 85 and 91 of this law are accountable for their actions to the organization of associated labor or other self-management organization or community which assigned them to their positions in a foreign country.

Article 91

Organizations of associated labor and other self-management organizations and communities are required to register the institutional structures engaged in business activities in foreign countries as specified in article 1 of this law, in addition to the institutional structures referred to in article 85 of this law, with a joint commercial representation and to see to it that such activities are conducted in accordance with the uniform statutes governing joint commercial representations.

Article 92

Representatives of organizations of associated labor and other self-management organizations and communities who are temporarily in a foreign country in connection with certain business transactions are required to notify the

joint commercial representation accredited to a given country of their activities, preliminary and preparatory dealings which are related to completed transactions, and completed transactions in connection with which it was necessary to reach a mutual agreement and agree upon the mutual coordination of business activities.

Article 93

Organizations of associated labor and other self-management organizations and communities which are engaged in business activities in a country where a joint commercial representation has not been established are required to report such activities to the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia accredited to said country and to conduct such activities in accordance with the uniform statutes governing joint commercial representations.

Article 94

The uniform statutes governing joint commercial representations regulates the general working conditions and other matters of importance to the work of a joint commercial representation.

Article 95

The legality of the activities carried on by joint commercial representations in foreign countries and by the institutional structures engaged in business activities pursuant to this law is subject to the general supervision of the Federal Executive Council acting through the first officer of the diplomatic representation of the Socialist Federal Republic of Yugoslavia in the country where a joint commercial representation has been established and of the Economic Chamber of Yugoslavia within the limits of its various jurisdictions, in accordance with the uniform statutes governing joint commercial representations.

The Federal Executive Council may authorize the Coordinating Committee attached to the Federal Executive Council to supervise the legality of the activities carried on by joint commercial representations and the institutional structures engaged in business activities pursuant to this law.

Article 96

Joint commercial representations are required to conduct their business transactions in a manner that is compatible with established policy on economic relations with foreign countries, the laws and other general rulings which regulate such relations, and the resolutions of the sections and other competent bodies of the Economic Chamber of Yugoslavia which apply to business transactions which countries in which joint commercial representations have been established.

7. The Delegation of Responsibility for the Conduct of Business Activities to Foreign Firms and the Conduct of Other Types of Business Activities in Foreign Countries

Article 97

An organization of associated labor may commission a foreign firm to act as its agent, to sell goods from a consignment warehouse, and to perform product servicing work solely on the basis of an agreement concluded in writing.

Before entering into an agreement as specified in paragraph 1 of this article an organization of associated labor is required to obtain a report from the Economic Chamber of Yugoslavia on the credit rating of the foreign firm in question.

An organization of associated labor may not enter into an agreement as specified in paragraph 1 of this article insofar as the report on the credit rating of the foreign firm in question indicates that there are unwarranted risks involved in doing business with such a firm.

Article 98

An organization of associated labor is required to file the agreements specified in article 97 of this law with the Economic Chamber of Yugoslavia so that they may be recorded in the appropriate registry, doing so within a period of 30 days after the date on which such agreements are concluded.

The data comprised in an agreement as specified in paragraph 1 of this article constitute official secrets.

Article 99

The delegation of responsibility for the conduct of business transactions related to the insurance of property, goods, and persons thorough foreign insurance companies is correspondingly governed by the provisions contained in articles 97 and 98 of this law.

Article 100

Organizations of associated labor specializing in work on capital construction projects in foreign countries may for purposes related to the completion of such capital construction projects establish plants, building sites, and other labor entities (hereafter: "labor entity") in foreign countries insofar as, pursuant to an agreement concluded with a foreign contracting party on the completion of capital construction projects in a foreign country, the national bank of the republic or the national bank of the autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor has accepted the report on the concluded agreement.

Insofar as several organizations of associated labor jointly establish a labor entity, they enter into a self-management accord which serves as an instrument for regulating their mutual relations in connection with the establishment and operation of such a labor entity.

Article 101

Before they establish a labor entity organizations of associated labor are required to file a report with the federal administrative organ responsible for foreign trade affairs so that said entity may be recorded in the registry of labor entities in foreign countries.

In addition to the report specified in paragraph 1 of this article, organizations of associated labor are also required to file:

- 1) the decision of the appropriate management organ on the establishment of a labor entity;
- 2) the attestation of the coordinating committee attached to the competent official organ of a republic or autonomous province to the effect that workers possessing special authorizations and responsibilities and other professional workers who are assigned to positions in a labor entity in a foreign country for an extended period of time are in compliance with the conditions governing the performance of such tasks and duties;
- 3) the opinion of the Economic Chamber of Yugoslavia as to the desirability of establishing such a labor entity;
- 4) proof of the fact that the national bank of the republic or the national bank of the autonomous province, within whose territorial jurisdiction is located the main office of an organization of associated labor, has accepted the report on the agreement concluded with a foreign contracting party.

Insofar as several organizations of associated labor jointly establish a labor entity in a foreign country, such organizations of associated labor qua founders of such an entity are required, in addition to the documents specified in paragraph 2 of this article, to file a self-management accord as specified in article 100, paragraph 2 of this law.

The following entries are made in the registry specified in paragraph 1 of this article: the firm, name, and main office location of the organization of associated labor which is establishing a labor entity and the country and location where such a labor entity is to be established.

The federal administrative organ responsible for foreign trade affairs issue a decree on the registration of labor entities in the registry of labor entities in foreign countries.

The documents specified in this article constitute official secrets.

Article 102

Insofar as any of the documents or facts or any of the data entered into the registry specified in article 101 of this law are subjected to future amendments, an organization of associated labor is required, acting within a period of 30 days after the date on which such amendments become effective, to so notify the federal administrative organ responsible for foreign trade affairs so that said amendments may be recorded in the registry of labor entities in foreign countries.

Article 103

Organization of associated labor are required to notify the Economic Chamber of Yugoslavia and the federal administrative organ responsible for foreign trade affairs of the closure of a labor entity in a foreign country within a period of 30 days after the date on which such an entity is closed so that it may be deleted from the registry of labor entities in foreign countries.

At the request of an organization of associated labor as specified in paragraph 1 of this article the federal administrative organ responsible for foreign trade affairs may, after having previously obtained the opinion of the Economic Chamber of Yugoslavia and having ascertained that opportunities exist for undertaking new projects in a foreign country and in other justified circumstances, postpone the deletion of a labor entity from the registry of labor entities in foreign countries for a specified period of time.

8. Miscellaneous Provisions

Article 104

Organizations of associated labor and other self-management organizations and communities which are engaged in business activities in foreign countries, pursuant to this law, are required to keep separate accounting records for such activities in accordance with the laws on accountancy.

Organizations of associated labor as specified in paragraph 1 of this article are required to furnish the authorized social accountancy service with one copy each of rulings on the foundings, registration, or change of status of an enterprise, bank or other financial institution, insurance or reinsurance organization, commercial entity, or labor entity founded in a foreign country, in addition to copies of rulings on the investment of assets in foreign enterprises, doing so within a period of 30 days after the date on which such rulings are served.

Article 105

Organizations of associated labor and other self-management organizations and communities which are engaged in business activities in foreign countries

pursuant to this law are required to submit annual reports on the conduct of such activities to the national bank of the republic or to the national bank of the autonomous province within whose territorial jurisdiction is located the main office of such an organization of associated labor or other self-management organization or community.

The national banks of republics and the national banks of autonomous provinces are required to furnish the National Bank of Yugoslavia with summarized annual reports on the conduct of the business activities specified in paragraph 1 of this article.

The federal secretary for finance, acting in accord with the federal secretary for foreign trade, will direct what kinds of data must be comprised in the reports specified in paragraph 1 of this article and set the time limits within which such reports must be filed.

Article 106

The Federal Executive Council, with the consent of the appropriate republic and provincial official organs, enacts detailed regulations where necessary on the founding of enterprises in foreign countries in association with foreign legal or physical persons pursuant to article 10 of this law, on the disposition of profits as specified in article 24 of this law, on the conditions under which organizations of associated labor qua founders of a business enterprise may compensate for the losses incurred by an enterprise founded in a foreign country (article 34), on the founding of banks or other financial institutions in foreign countries in association with foreign legal or physical persons pursuant to article 38 of this law, on the founding of insurance or reinsurance organizations in foreign countries in association with foreign legal or physical persons pursuant to article 43 of this law, and on the investment of assets in foreign enterprises in association with foreign legal or physical persons pursuant to article 46, item 1 of this law.

Article 107

Organizations of associated labor and other self-management organizations and communities which file an application requesting permission to engage in business activities in a foreign country pursuant to this law may propose that such an application together with accompanying documents be designated state secrets.

A final decision on the proposal specified in paragraph 1 of this article is made by the federal administrative organ responsible for foreign trade affairs after having previously obtained the opinion of the competent official organ in a republic or autonomous province.

Article 108

The provisions of the Law on Trade in Goods and Services With Foreign Countries having to do with adherence to honorable standards in the conduct of foreign trade transactions will also apply correspondingly to organizations

of associated labor and other self-management organizations and communities in connection with the conduct of business activities in foreign countries pursuant to this law.

The provisions of the Law on Measures Aimed at Combatting Unfair Competition and Monopolistic Accords will also apply correspondingly to organizations of associated labor and other self-management organizations and communities in connection with the conduct of business activities in foreign countries pursuant to this law.

Article 109

Insofar as an organization of associated labor may be convicted of an economic offense as specified in article 94, paragraph 1, item 10 of the Law on Trade in Goods and Services With Foreign Countries, in article 24, paragraph 1 of the Law on Measures Aimed at Combating Unfair Competition and Monopolistic Accords, or in articles 110 and 111 of this law or insofar as any sanction is imposed against it by the Court of Ethics attached to the Economic Chamber of Yugoslavia in connection with the operations of any of its enterprises or commercial entities located in foreign countries in relation to Yugoslav organizations of associated labor, banks, property and personal insurance companies and reinsurance companies and their enterprises, banks and other financial institutions, insurance and reinsurance organizations, and commercial entities in foreign countries, the federal administrative organ responsible for foreign trade affairs may penalize such an organization of associated labor by imposing against it one or more of the sanctions specified in article 80 of the Law on Trade in Goods and Services With Foreign Countries, which sanction or sanctions it must in turn apply to its own enterprise located in a foreign country to the extent that such action is provided for by a ruling of the federal administrative organ responsible for foreign trade affairs or it may issue a ruling revoking the authorization granted on the basis of article 17 of this law or on the basis of a ruling issued pursuant to article 65 of this law and delete said enterprise from the registry of enterprises in foreign countries or a permanent commercial entity from the registry of permanent commercial entities in foreign countries.

The provisions of paragraph 1 of this article will also apply correspondingly to other self-management organizations and communities in connection with the operations of their banks or other financial institutions, insurance and reinsurance organizations, and commercial entities in foreign countries in relations to Yugoslav organizations of associated labor or other self-management organizations and communities.

Penalty Provisions

1. Economic Offenses

Article 110

An organization of associated labor or other self-management organization or community will be assessed a monetary fine of from 100,000 to 1,000,000 dinars for an economic offense:

- 1) if it uses assets other than the assets specified in article 12 of this law in order to found an enterprise in a foreign country or in order to invest additional capital in such an enterprise;
- 2) if it founds an enterprise, bank or other financial institution, or insurance organization in a foreign country without authorization or if it undertakes to invest additional capital in a foreign country without authorization (articles 14, 19, 39, and 44);
- 3) if an enterprise it has founded in a foreign country founds a new enterprise in a foreign country contrary to the provision contained in article 20 of this law;
- 4) if it buys out the founder's equity interest in an enterprise in a foreign country contrary to the provision contained in article 21 of this law;
- 5) if it fails to place its stock certificates issued as shares invested assets on deposit with a banking institution (article 22, paragraph 2, item 2) or if founder's rights are not safeguarded in connection with the disposition of assets invested in the country of investment (article 22, paragraph 2, item 3);
- 6) if the profits earned by an enterprise, bank or other financial institution, insurance or reinsurance organization in a foreign country are used in a manner contrary to the provisions of article 24 of this law (articles 39 and 44);
- 7) if the profits which are earned by an enterprise, bank or other financial institution, insurance or reinsurance organization in a foreign country are not transferred to Yugoslavia within the prescribed period of time (articles 25, 39, and 44);
- 8) if proceedings are not initiated for the liquidation of a wholly-owned enterprise, bank or other financial institution, insurance or reinsurance organization-founded in a foreign country or if the assets which have accrued to it at the conclusion of liquidation or bankruptcy proceedings are not disposed of in accordance with the provisions of article 26, paragraphs 4 and 5 of this law (article 39 and 44);
- 9) if in the event of the closure or bankruptcy of a joint venture enterprise, consortium of banks or other syndicated financial institutions, joint insurance or reinsurance organizations founded in a foreign country the assets which have accrued to it at the conclusion of such liquidation or bankruptcy

proceedings are not disposed of in accordance with the provision contained in article 26, paragraph 6 of this law (article 39 and 44);

- 10) if in the event of the reduction of assets or withdrawal of invested assets from an enterprise, bank or other financial institution, insurance or reinsurance organization founded in a foreign country outstanding financial and material accounts are not settled and assets which have accrued to it on the basis of such a partial or final settlement of accounts are not disposed of in accordance with the provision of article 27 of this law.
- 11) if assets other than the assets provided for by article 39 of this law are used to found a bank or other financial institution in a foreign country or to invest additional capital in such institutions;
- 12) if assets other than the assets provided for by article 44 of this law are used to found an insurance or reinsurance organization in a foreign country or to invest additional capital in such organizations;
- 13) if assets other than the assets specified in article 49 of this law are used to invest assets or to invest additional assets in a foreign enterprise;
- 14) if assets are invested or additional assets are invested in a foreign enterprise without prior authorization as specified in article 53 of this law;
- 15) if profits which are earned as a result of a joint business venture with a foreign enterprise are used in a manner contrary to the provisions of article 57 of this law;
- 16) if invested assets or the remainder of invested assets which have accrued to it after a settlement of outstanding financial and material accounts held jointly with a foreign enterprise is reached are not transferred to Yugoslavia within the prescribed period of time (article 60);
- 17) if a permanent commercial entity in a foreign country opens for business before it is registered (article 66, paragraph 3);
- 18) if in the event of the closure of a permanent commercial entity located in a foreign country it fails to act in accordance with the provision contained in article 70, paragraph 2 of this law;
- 19) if it fails to incorporate institutional structure engaged in business activities in foreign countries into a joint commercial representation and if it fails to conduct business transactions in accordance with the uniform statutes governing joint commercial representations (article 85);
- 20) if it fails to register institutional structures engaged in business activities in foreign countries with a joint commercial representation and if it fails to perform such activities in accordance with the uniform statutes governing joint commercial representations (article 91);

21) if it fails to report business activities in a foreign country to the diplomatic or consular representation of the Socialist Federal Republic of Yugoslavia accredited to the country in question in accordance with article 93 of this law;

22) if it fails to keep separate accounting records in accordance with article 104, paragraph 1 of this law;

23) if it fails to submit an annual report in accordance with article 105, paragraph 1 of this law;

24) if it fails to abide by regulations enacted pursuant to article 106 of this law;

25) if it fails to act in accordance with article 121 of this law;

26) if it fails to act in accordance with article 122 of this law.

Any person in an organization of associated labor or other self-management organization or community who is found to be responsible for any of the actions specified under paragraph 1 of this article will be assessed a monetary fine of from 5,000 to 30,000 dinars.

Article 111

An organization of associated labor or other self-management organization or community will be assessed a monetary fine of from 20,000 to 500,000 dinars for an economic offense:

1) if it fails to file an application for the registration of an enterprise founded in a foreign country in the registry of enterprises in foreign countries or if it fails to notify the federal administrative organ responsible for foreign trade affairs of amendments made in documents of record or of changes in relevant fact situations (article 22, paragraph 1 and article 23);

2) if it disposes of the stock certificates specified in article 22, paragraph 5 of this law in a manner that is contrary to the authorization granted by the national bank of a republic or the national bank of an autonomous province;

3) if it fails to serve notice of a decision to close out a wholly-owned enterprise, bank or other financial institution, insurance or reinsurance organization located in a foreign country in accordance with article 26, paragraph 3 of this law;

4) if it fails to submit a financial statement, record of settlement, or record of the final settlement of outstanding financial and material accounts and if it fails to so notify the federal administrative organ responsible for foreign trade affairs in accordance with article 28 of this law;

- 5) if it fails to file an application for the registration of an agreement on the investment of assets in a foreign enterprise in the registry of agreements on the investment of assets in foreign enterprises or if it fails to notify the federal administrative organ responsible for foreign trade affairs of amendments made in documents of record or of changes in relevant fact situations (article 55, paragraph 1 and article 56).
- 6) if it allows a commercial entity which has been established by a wholly-owned enterprise, bank or other financial institution, insurance or reinsurance organization located in a foreign country to open for business prior to its registration in the registry specified in article 65 of this law;
- 7) if it fails to notify the federal administrative organ responsible for foreign trade affairs of amendments made in the documents of record or of changes in the relevant fact situations specified in article 68 of this law;
- 8) if it fails to file an application for registration in the registry of labor entities in foreign countries (article 101);
- 9) if it fails to abide by regulations enacted pursuant to article 105, paragraph 3 of this law.

Any person in an organization of associated labor or other self-management organization or community who is found to be responsible for any of the actions specified under paragraph 1 of this article will be assessed a monetary fine of from 1,500 to 20,000 dinars.

2. Misdemeanors

Article 112

An organization of associated labor or other self-management organization or community will be assessed a monetary fine of from 5,000 to 100,000 dinars for a misdemeanor;

- 1) if it fails to act in accordance with article 69, paragraph 2 of this law;
- 2) if it fails to notify the federal administrative organ responsible for foreign trade affairs of the establishment of a commercial entity as specified in article 71, paragraph 3, article 74, paragraph 3, and article 76, paragraph 3 of this law;
- 3) if it fails to act in accordance with article 92 of this law;
- 4) if it fails to advise the Economic Chamber of Yugoslavia that it has entered in an agreement under the terms of which it delegates responsibility for the conduct of business activities in foreign countries to foreign firms (article 98, paragraph 1);
- 5) if it fails to notify the federal administrative organ responsible for foreign trade affairs of amendments made in documents of record or of changes in relevant fact situations (article 102);

6) if it fails to notify the Economic Chamber of Yugoslavia and the federal administrative organ responsible for foreign trade affairs of the closure of a labor entity (article 103);

7) if it fails to serve notice of a ruling in accordance with article 104, paragraph 2 of this law.

Any person in an organization of associated labor or other selfmanagement organization or community who is found to be responsible for any of the actions specified under paragraph 1 of this article will be assessed a monetary fine of from 500 to 15,000 dinars.

Article 113

In addition to or apart from a monetary fine, any person in an organization of associated labor or other self-management organization or community who is found guilty of a misdemeanor as specified in article 112 of this law may be declared subject to a penalty of a preventive sanction banning said person for a period of from 6 months to 1 year from conducting business transactions which require special authorizations and responsibilities or from performing other professional duties related to the conduct of business activities in foreign countries.

The term of the sanction imposed in accordance with paragraph 1 of this article starts running as of the date on which the ruling on the commission of a misdemeanor becomes legally valid.

Article 114

Misdemeanor court proceedings dealing with the misdemeanors specified under this law are conducted in the first instance by the Federal Foreign Exchange Inspectorate.

An appeal against a ruling of the Federal Foreign Exchange Inspectorate is heard by the Federal Secretariat for Finance.

3. Legal Consequences of Adjudication

Article 115

Any person who is found guilty and convicted of an economic offense as specified in article 110, paragraph 1, items 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 20, 25, and 26 of this law may not conduct business transactions which require special authorizations and responsibilities nor perform other professional duties related to the conduct of business activities in a foreign country and the conduct of foreign trade transactions in Yugoslavia.

The ban specified in paragraph 1 of this article may be imposed for a period of up to 3 years.

Any person who is found guilty and convicted of an economic offense as specified in article 110, paragraph 1, items 7, 17, 18, 21, 22, and 23 and in article 111, paragraph 1, items 1, 2, 5, 6, 7, and 9 of this law may not conduct business transactions which require special authorizations and responsibilities nor perform other professional duties related to the conduct of business activities in foreign countries or the conduct of foreign trade transactions in Yugoslavia for a period of 1 year after the date on which such a verdict becomes legally valid.

Transitional and Concluding Provisions

Article 116

Organizations of associated labor which have founded an enterprise in a foreign country and organizations of associated labor whose enterprise in a foreign country has founded another enterprise in a foreign country, banks authorized to conduct business transactions with foreign countries which have founded a bank in a foreign country, and property and personal insurance companies which have founded an insurance association in a foreign country, all of which are registered in the registry of enterprises in foreign countries as of the date on which this law goes into effect, are required, acting within a period of 1 year after the date on which this law goes into effect and through the competent official organ of a republic or autonomous province, to notify the federal administrative organ responsible for foreign trade affairs as to whether the enterprises, banks, and insurance associations founded in foreign countries will continue to operate and to subjoin to such notification the documentary proof required pursuant to the provisions of articles 2, 5, and 16 of this law, a record of the decision to continue to operate an enterprise, bank, or insurance association founded in a foreign country as rendered by an appropriate management organ in accordance with article 15, paragraph 2, item 1, and the documents specified in article 15, paragraph 2, items 6 and 7 of this law.

The provision contained in paragraph 1 of this article also applies to organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies which have founded joint venture enterprises, banking consortiums, or joint insurance associations in foreign countries and to organizations of associated labor, banks authorized to conduct business transactions, and property and personal insurance companies whose enterprises, banks, or insurance associations in foreign countries have founded other joint venture enterprises, banking consortiums, or joint insurance associations, all of which are required, in addition to the document specified in paragraph 1 of this article, to subjoin to such notification the documents specified in article 15, paragraph 3 of this law.

The federal administrative organ responsible for foreign trade affairs, after having previously obtained the opinion of the official organ specified in article 14 of this law, will grant authorization for the continued operation of an enterprise, bank, or insurance association founded in a foreign country insofar as the conditions specified in article 17, paragraph 1 of this law have been complied with.

Insofar as an organization of associated labor, a bank authorized to conduct business transactions with foreign countries, or a property and personal insurance company fails to act in accordance with the provisions of paragraphs 1 and 2 of this article, an enterprise, bank, or insurance association founded by them in a foreign country will be deleted from the registry of enterprises in foreign countries on the authority of a decree issued by the federal administrative organ responsible for foreign trade affairs.

Insofar as an enterprise, bank, or insurance association founded in a foreign country may be deleted from the registry of enterprises in foreign countries, organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies are required to act in accordance with article 26, paragraph 4 and articles 28 through 30 of this law.

Article 117

Organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies which have founded commercial entities in foreign countries and which as of the date on which this law goes into effect are registered in the registry of commercial entities in foreign countries are required, acting within a period of 1 year after the date on which this law goes into effect and through the competent organ of a republic or autonomous province, to notify the federal administrative organ responsible for foreign trade affairs as to whether a commercial entity established in a foreign country will continue to operate and to subjoin to such notification the documentary proof specified in articles 2 and 5 and in article 65, paragraph 3 of this law.

The federal administrative organ responsible for foreign trade affairs will issue a ruling on the registration of a commercial entity in the registry of commercial entities in foreign countries and on the continued operation of a commercial entity established in a foreign country insofar as the conditions specified in article 66 of this law are complied with.

Insofar as organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies fail to act in accordance with the provision contained in paragraph 1 of this article, a commercial entity established in a foreign country will be deleted from the registry of commercial entities in foreign countries on the authority of a ruling issued by the federal administrative organ responsible for foreign trade affairs.

Article 118

Organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies whose wholly-owned enterprises, wholly-owned banks, or wholly-owned insurance associations founded in foreign countries have established commercial entities as of the date on which this law goes into effect are required, acting within a period of 1 year after the date on which this law goes into effect, to notify the federal administrative organ responsible for foreign trade affairs as to whether such commercial entities established in foreign countries will continue to operate and to subjoin to such notification the documentary proof specified in article 65, paragraph 3 of this law.

The federal administrative organ responsible for foreign trade affairs will issue a ruling on the registration of a commercial entity in the registry of commercial entities in foreign countries and on the continued operation of a commercial entity established in a foreign country insofar as the conditions specified in article 66 of this law are complied with.

Article 119

Organizations of associated labor, banks authorized to conduct business transactions with foreign countries, and property and personal insurance companies whose joint venture enterprises, banking consortiums, or joint insurance associations founded in a foreign country have established commercial entities in a foreign country are required, acting within a period of 1 year after the date on which this law goes into effect, to notify the federal administrative organ responsible for foreign trade affairs of the commercial entities which they have established in foreign countries so that they may be duly recorded in the appropriate registry.

Article 120

Organizations of associated labor which as of the date on which this law goes into effect have established labor entities in foreign countries (plants, building sites, and so on) are required, acting within a period of 6 months after the date on which this law goes into effect, to notify the federal administrative organ responsible for foreign trade affairs as to whether such a labor entity will continue to operate and to subjoin to such notification the documentary proof specified in article 101 of this law.

The federal administrative organ responsible for foreign trade affairs will issue a ruling on the registration in the registry of labor entities in foreign countries and on the continued operation of such a labor entity insofar as the conditions specified in article 101 of this law are complied with.

Article 121

Insofar as the federal administrative organ responsible for foreign trade affairs determines that organizations of associated labor, banks authorized to conduct business transactions with foreign countries, or property and personal insurance companies have founded an enterprise, bank, insurance association, or commercial entity in a foreign country which is not registered in the registry of enterprises in foreign countries or in the registry of permanent commercial entities in foreign countries, it will issue a ruling by means of which it will order the closure of such an enterprise, bank, insurance association, or commercial entity in a foreign country.

In the event that the circumstances specified in paragraph 1 of this article obtain, organizations of associated labor and other self-management organizations and communities are required to initiate liquidation proceedings and to transfer to Yugoslavia in cash or in kind all of the assets which have accrued to them at the conclusion of such proceedings, doing so within a period of 30 days after the date on which such proceedings are concluded.

Article 122

Banks authorized to conduct business transactions with foreign countries which, pursuant to article 2 of the Law on the Founding of Enterprises in Foreign Countries (SLUZHBE NI LIST SFRJ No 39/72 and No 13/73), have founded an enterprise in a foreign country are required, acting within a period of 1 year after the date on which this law goes into effect, to initiate proceedings for the liquidation of an enterprise founded in a foreign country and to transfer to Yugoslavia in cash or in kind all assets which have accrued to them at the conclusion of such proceedings, doing so within a period of 30 days after the date on which such proceedings are concluded.

Banks authorized to conduct business transactions with foreign countries which, pursuant to article 2 of the Law on the Founding of Enterprises in Foreign Countries, have collaborated with organizations of associated labor or foreign legal or physical persons in the founding of enterprises in foreign countries are required, acting within a period of 1 year after the date on which this law goes into effect, to reach a final settlement to close outstanding commercial accounts with an enterprise in a foreign country and to transfer to Yugoslavia in cash or in kind all assets which have accrued to them on the basis of such a final settlement of accounts, doing so within a period of 90 days after the date on which such a final settlement is reached.

Article 123

The Law on the Founding of Enterprises in Foreign Countries (SLUZHBE NI LIST SFRJ Nos 39/72 and 13/73) and the Decree on the Establishment and Operation of Commercial Entities and Other Business Institutions in Foreign Countries (SLUZHBE NI LIST SFRJ No 9/73) will be rendered null and void as of the date on which this law goes into effect.

Article 124

This law goes into effect on the eighth day after the date of its publication in SLUZHBE NI LIST SFRJ.

YUGOSLAVIA

INTERACTION OF BUSINESS EFFICIENCY, PRODUCTIVITY AND EMPLOYMENT SURVEYED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 May 77 pp 23-24

[Unsigned article: "Economic Development: Efficiency and New Jobs"]

[Text] In the period between 1965 and 1970 the social product rose 32 percent, while employment in the economy rose only 4 percent; over the next 5 years (up to 1975) the social product rose 33 percent, but the accompanying growth of the labor force in the economy was all of 19 percent. Last year marks the continuation of the relations from the previous 5-year period--the social product increased 4 percent in real terms, and that was approximately the size of the growth of employment in the economy of the socialized sector as well. The growth of the social product in the period between 1965 and 1970 was derived almost exclusively from higher labor productivity; in the following 5-year period more than 60 percent of the growth of the social product was derived from augmenting the work force.

The total growth of the social product between 1965 and 1975 (in permanent prices) was 76 percent. Taking into account the 5-percent growth in 1976, the total increase of the real social product has been about 83 percent over the last 11 years. This corresponds to an annual growth rate between 5 and 6 percent. If we make a comparison with the economies of other countries this kind of growth rate can be looked upon favorably. The only flaw lies in the fact that in the last 6 years the growth has not resulted from higher business efficiency and labor productivity, but more from increased employment.

When we take into account the economic structure, the problem of employment, and the natural movement of manpower between agriculture and nonfarm activities, the growth of employment is just as important as higher business efficiency and labor productivity. The main problem lies in the fact that under our conditions these two categories usually move in opposite directions. In the economies of the advanced countries higher employment brings about a rise in labor productivity and more rational use of the means of production. It also brings about a growth of capital formation, larger investments and greater total demand. The movement in the opposite direction in our economy is partly the consequence of hiring which is motivated by noneconomic

considerations, a consequence of the faster growth rate of employment in noneconomic activities, whose financial capabilities usually allow this, and also of the faster growth rate of employment in joint staff and administrative services in work organizations and basic organizations of associated labor.

Structural Changes

The relatively dynamic economic development we have had in the last 11 years (since 1965) has also brought about changes in the structure of the economy. The most significant change has occurred in agriculture. Its share in the social product (we are talking about total agricultural output of the socialized and private sectors) dropped from 20.4 percent in 1965 to 15.9 percent in 1975.

Structure of the Economy in Terms of the Social Product, in 1972 prices

<u>Sectors of the Economy</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
Economy as a whole	100.0	100.0	100.0
Industry and mining	34.3	33.6	36.8
Agriculture	20.4	18.0	15.9
Forestry	1.6	1.2	1.0
Construction	10.3	11.4	10.4
Transportation	7.4	8.1	8.3
Trade and hostelry	19.8	21.8	21.5
Crafts and trades	5.7	5.4	5.6
Housing and municipal utilities and services	0.5	0.5	0.5

Along with agriculture, forestry also experienced a considerable reduction in its share: from 1.6 percent in 1965 to 1 percent in 1975. The share of industry and transportation has been increasing steadily. Trade and hostelry also increased their share in formation of the country's social product, but since 1975 their share has tended to stay at the same level, which is a result of the policy governing economic development and the policy governing distribution of net income, that is, the policy of more rapid development of productive activities and of improving their position in the process of reproduction.

Changes in economic structure are a consequence of investment policy. In the period between 1966 and 1975 there were essential changes in the relative standing of economic sectors in terms of investments in fixed assets. The share of investments in industry increased from 56.3 percent, its level in 1966, and from 45 percent in 1970 to 58.7 percent in 1975. The share of investments in trade and hostelry has not been stable. In 1966 it was 8.5 percent, in 1970 it was 20.2 percent, and then in 1975 it again dropped to 9.8 percent. These changes in the rates and relative volumes of investments result not only from the financial capabilities and development programs of organizations of associated labor in the various economic activities,

but also from national policy governing development and from differences in the rate of completion and funding of capital investment projects from one year to the next.

Business Efficiency

It is not only labor productivity that has held to the same level over the last 5 years. Efficiency in the use of socialized means of production has also stayed at the same level in this period or indeed declined. Whereas the social product increased 76 percent between 1965 and 1975, the fixed assets of the economy (in permanent prices) rose 117 percent. Between 1965 and 1970 the social product increased 32 percent, while the value of fixed assets of basic organizations of associated labor in the economy increased 46 percent. Over the following 5 years the social product rose 33 percent, while the value of fixed assets rose 49 percent. Declining efficiency in the use of fixed assets was also evident in the period between 1965 and 1970, but it was more marked in the 5-year period that followed.

Social Product Per 100 Dinars of Value of Fixed Assets, in 1966 prices

<u>Year</u>	<u>Economy</u>	<u>Industry</u>
1965	43.5	35.3
1966	42.7	34.3
1967	41.1	32.5
1968	40.6	32.3
1969	40.9	33.2
1970	41.0	33.9
1971	41.0	33.8
1972	40.3	33.6
1973	38.9	32.7
1974	39.7	33.8
1975	38.2	33.0

Nor had the efficiency of utilization of socialized means of production increased in 1976. This was indicated by the growth rate of the social product, which was about 4 percent, and the very intensive growth of investments in the economy's fixed assets. The drop from 43.5 to 38.2 dinars of social product per 100 dinars of the value of fixed assets, which occurred in 1975, is not to be disregarded. It contributed to the decline of the growth rate of labor productivity in the economy. We should take note in this connection that the more modern equipment and technology which result from the relatively high gross investments in fixed assets (the average growth rate of gross investments in the economy has been about 30 percent over the last 10 years) has made for a rise in productivity even if the organization of work remains unchanged. Since the growth rate of productivity in the period between 1970 and 1975 was about 2 percent, it follows that the level of applied organization of work and the effective output of workers at their job stations made no contribution whatsoever to the rise

in productivity. One might even frame a conclusion to the contrary. This is indication that we should not seek the reason for the decline in the growth of labor productivity so much in the adequacy of the equipment and technology of organizations of associated labor as in the way the technological process is organized, the degree to which production is adapted to the demands of the market, and the level of application of the individual worker at his work station. These reasons encourage the conclusion that organizations of associated labor and individual workers are not sufficiently motivated to conduct their business efficiently and rationally, that is, it would seem to be a necessity that economic incentives be established so that economic entities and workers are motivated to maximize income, that is, to maximize personal income and community consumption on a permanent basis.

Distribution

Problems related to the distribution of income are most frequently cited as the reason for the decline in reproductive and accumulative capacity and indeed for the decline in the operating efficiency of the economy. Emphasis is put on the steady increase in the share of sociopolitical communities and special-interest communities in the income of organizations of associated labor. The growth of these obligations not only directly diminishes the surplus which the economy has created, but acts as a disincentive on the basic organizations of associated labor with respect to augmenting its income.

However, if we look at the overall figures on the use of the social product, this conclusion can be refuted.

Use of the Social Product

	<u>1965</u>	<u>1970</u>	<u>1975</u>
Social product	100.0	100.0	100.0
Personal consumption	56.6	55.5	54.7
Community consumption and general (public) expenditures	8.9	9.3	9.9
Gross investments in fixed assets	28.3	30.9	32.5

The overall use of the social product, then, has not essentially changed in the last 10 years. The share of personal consumption, to be sure, has dropped slightly--from 56.6 percent in 1965 to 54.7 percent in 1975. The share of community consumption and public expenditures has increased one percentage point over 1965. The largest increase was the share of gross investments in fixed assets--from 28.3 percent in 1965 to 32.5 percent in 1975. Though we do not have figures on use of the social product in 1976, on the basis of the general economic indices we can conclude that last year the share of personal consumption increased slightly in the social product and approximated the relative level recorded in 1965.

It is a fact that the share of public expenditures, that is, the revenues of sociopolitical communities, in the net income of the economy has been increasing in recent years. But this is not so much a consequence of a growth of budget expenditures relative to the national income as of changes resulting from amendments of fiscal instruments. This observation is also confirmed by figures on the share of funds carried over to the budgets of sociopolitical communities in the total national income. In 1966 the share of funds carried over into budgets amounted to 17.9 percent of the national income; in 1970 this share increased to 20.3 percent, and then it dropped to 16.5 percent in 1974, and then rose to 17.4 percent in 1975, but this is still slightly below the 1966 level.

The economy has been carrying a heavier burden, and in quantitative terms more income has been alienated from its creators, when we look at the community consumption. Community consumption has experienced a particular growth in recent years. The growth in 1976 was 26 percent, which is twice as high as the growth of the economy's net income. This leads to the conclusion that steps must be taken right away to alter considerably the way in which self-managed special-interest communities are financed. Not only is it a question of greater influence and more direct decisionmaking on the part of the economy with respect to the rates of the various contributions, but even more of passing on a part of the financial burden for community needs to direct users. This is not only a financial necessity, but also a precondition for more rational development of those activities and for exercise of control by those who actually use those services.

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